

CITY OF HIALEAH, FLORIDA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED SEPTEMBER 30, 2007

Prepared by:

Finance Department

CITY OF HIALEAH, FLORIDA

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CITY OF HIALEAH, FLORIDA

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INTRODUCTORY SECTION



Julio Robaina

Mayor

Esteban Bovo

Council President

Carlos Hernandez

Council Vice President

Council Members

Jose F. Caragol

Vivian Casals-Muiioz

Isis Garcia-Martinez

Luis Gonzalez

Jose Yedra

City of Hialeah

May 19, 2008

To the Members of the City Council and Citizens of the City of Hialeah:

The Government Finance Officers Association recommends that local governments publish a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that recommendation, we hereby issue the comprehensive annual financial report of the City of Hialeah for the fiscal year ended September 30, 2007.

This report consists of management's representation concerning the finances of the City of Hialeah. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Hialeah has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Hialeah's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Hialeah's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Hialeah's financial statements have been audited by Alberni, Caballero & Castellanos, LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Hialeah for the fiscal year ended September 30, 2007, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amount and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation.

The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Hialeah's financial statements for the fiscal year ended September 30, 2007, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report. GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A).

This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Hialeah's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The City of Hialeah was incorporated in 1925 by the laws of the State of Florida contained in Chapter 11516 Special Acts of 1925. The City of Hialeah occupies a land area of 23 square miles and serves a population of 230,225. The City of Hialeah receives tax levies on real and personal properties located within its boundaries.

The City of Hialeah has operated under a strong mayor form of government since its inception. Policy making and legislative authority are vested in a governing council consisting of a seven member council. The council is responsible for, among other things, passing ordinances, adopting the budget and appointing the City Clerk. The Mayor is responsible for carrying out the policies and ordinances of the council, overseeing the day-to-day operations of the government, and appointing the heads of various departments.

The City of Hialeah offers a wide range of services, including, public safety (police and fire), public works, streets, water and wastewater, sanitation, social services, culture-recreation, public improvements, planning and zoning, library and education services, and general administrative services.

The annual budget serves as a foundation for the City of Hialeah financial planning and control. Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States. The City follows the procedures below in establishing the budgetary data reflected in the accompanying financial statements. Prior to September 1, the Mayor submits to the City Council a proposed operating budget for the ensuing fiscal year, commencing October 1. The operating budget includes proposed expenditures and the means of funding them. Public hearings are conducted to obtain taxpayer comments. Prior to October 1, the budget is legally enacted through passage of an ordinance. Upon request of the Mayor, the City Council may transfer, at any time, any part of an unencumbered balance of an appropriation within a department. Upon request of the Mayor and only after the first six months of the budget year have passed, the City Council, in the form of a resolution, may transfer any part of the unencumbered balance of an appropriation between departments. At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the fund from which it was appropriated and shall be subject to future appropriations. The legal level of control is at the department level. The City Council approves supplemental appropriations. Budget to actual comparisons are provided in this report for the funds for which an appropriated annual budget has been adopted.

Factors Affecting Financial Condition

The information presented in the financial statements is best understood when it is considered from the broader perspective of the specific environment with which the City of Hialeah operates.

Local Economy

Annexation Area. In 2005 the City of Hialeah annexed from Miami Dade County an area located along the northwest corner of the City of Hialeah with Highway 1-75 lying directly to the east and the Florida Turnpike lying directly to the west. The Annexation Area consists of 1,890 acres of land, of which, a third has been designated for residential use and two-thirds have been designated for commercial and industrial use. As part of the interlocal agreement between the City and Miami-Dade County, the City will provide the necessary regional pre-development infrastructure, including: water and sewer services, road improvements, and regional recreational facilities.

The Annexation Area will provide continued strong economic growth to the City of Hialeah by expanding its revenue base and maximizing the land use within its borders.

Long-term financial planning. The City is on course to complete several major projects in the coming year as well as completing projects that were underway at the beginning of the year. The City is still on schedule to complete a new 300-unit affordable housing complex for the elderly on the southwest sector of the City by 2008. In addition, the City has completed major park renovations around the City including Southeast Park and O'Quinn Park, and construction of a new facility at Walker Park, which will include a Police substation, an adult center, and an E-Library planned for fiscal year 2008-2009, among other things. We are also in the process of a major renovation at Milander Park and Milander Auditorium.

The City continues to provide its citizens a great service through an efficient and effective Fire Department infrastructure. In the current year the City completed construction of the new Fire Station No. 8 in the southwest sector of the City, which will provide additional services to that area.

We have also been successful in securing funding from the Children's Trust of Miami Dade County. These funds provide teaching and tutorial services to our community.

The City plans to continue the long tradition of providing excellent city services to residents. We have top-notch Fire and Police Departments, Parks, and Libraries. Our ongoing streets and stormwater improvements are extensive and are a model for other local governments. With the City Council working together with the City's administration, planning for growth as well as beautification of our City will continue, including in our newly annexed areas.

Continuing initiatives. The City's water and sewer infrastructure improvements, including retrofitting the City's sewer lines are continuing on schedule. The City recently contracted for the lining of approximately 54,000 lineal feet of sewer main and will continue with the lining of additional sections in the coming fiscal year. The City has completed the construction of several water and sewer projects for the annexation area and adjacent areas in the northwest sector of the City, and has commenced with the planning, design and permitting of a new water treatment plant that will provide service to the annexed area as well as other areas in the northwest quadrant of the County. The City has also started with the construction of a regional sewage pump station to serve the area.

The City continues with the ongoing program to repair and modernize sewer pump stations around the City in accordance with the State of Florida and Miami Dade County Consent Orders. These stations are upgraded with the latest state-of-the-art pumps and control systems enhancing an already efficient water and sewer department.

In an effort to go green, in the coming year, the city will be embarking on a Bio-diesel Pilot Program. This program will run selected vehicles on bio-diesel instead of low sulfur diesel fuel.

During the next fiscal year, the meals program at Wilde Park and Villa Aida will be expanded in cooperation with the Hialeah Housing Authority.

Additional projects that the city has undertaken include construction of a 200 seat vocational/charter school at Slade Park for training and certification of high school students, and the Partnership for Advancement in School Success (PASS), which will establish corporate sponsorships between business leaders and school principals.

Cash management policies and practices. The City's Cash Management Policy has three elements: (1) funds are collected and deposited as quickly as possible; (2) cash is released at the last possible moment; and (3) investment objectives are safety of capital, liquidity of funds, and investment income yield. Cash temporarily idle in the City's bank operating account is invested in overnight repurchase agreements. The funds in the sweep account were properly collateralized in accordance with Chapter 280, Florida Statutes. In addition, surplus cash is invested with the Florida Municipal Investment Trust (FMIvT).

Risk Management. The City is exposed to various types of claims related to general liability, worker's compensation, group health insurance, errors and omissions, and natural disasters. The City is self-insured for general liability, worker's compensation and group health. For all other coverages, the City obtains commercial insurance.

An actuarial study was recently completed for self-insured risks to determine the funding requirements necessary to meet projected losses. The reserve requirements include liabilities retained for claims losses and allocated loss adjustment expenses. It includes Incurred But Not Reported (IBNR) reserves, credit for future investment income, and margins for adverse results. The City has sufficient reserves to cover potential claims.

Pension and other post-employment benefits. The City is the administrator of a single-employer Public Employee Retirement System (PERS) established to provide pension, annuity, death, and disability benefits through a defined benefit and a defined contribution pension plan that covers substantially all of the employees of the City.

The City has two defined contribution plans; the City of Hialeah Police Pension Fund and the City of Hialeah Firemen's Relief and Pension Fund. The Plans were created on March 27, 1984 by Ordinance 1781 as amended by Ordinance 84-43 and on May 26, 1981 by Ordinance 631 as amended by Ordinance 81-62, respectively. The purpose of the Plans is to provide a means whereby police officers and firefighters of the City may receive benefits from funds provided for that purpose by contributions of the City through the state contributions provided by Chapter 175/185 of the Florida Statutes.

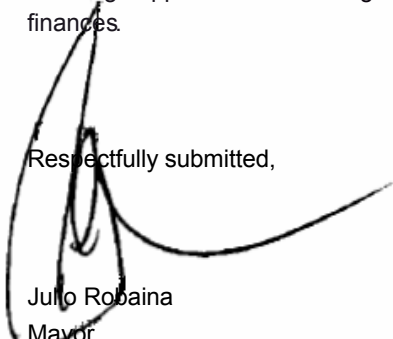
Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Hialeah for its comprehensive annual financial report for the fiscal year ended September 30, 2006. This was the second year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Finance Department and the Office of Management and Budget and the City's audit firm, Alberni, Caballero & Castellanos, LLP. We would like to express our appreciation to all members of the departments who assisted and contributed to the preparation of this report. Credit also must be given to the City Council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Hialeah's finances.

Respectfully submitted,


Julio Robaina
Mayor


Vivian D. Parks
Finance Director

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

City of Hialeah
Florida

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2006

A Certificate of Achievement for Excellence in Financial
Reporting is presented by the Government Finance Officers
Association of the United States and Canada to
government units and public employee retirement
systems whose comprehensive annual financial
reports (CAFRs) achieve the highest
standards in government accounting
and financial reporting.



Clive S. Cox

President

Jeffrey R. Enos

Executive Director

CITY OF HIALEAH, FLORIDA

List of Elected City Officials

September 30, 2007

Strong Mayor Form of Government

CITY COUNCIL

Julio Robaina, Mayor

Esteban Bovo, Council President

Carlos Hernandez, Council Vice President

Jose F. Caragol

Luis Gonzalez

Vivian Casals-Muñoz

Isis Garcia-Martinez

Jose Yedra

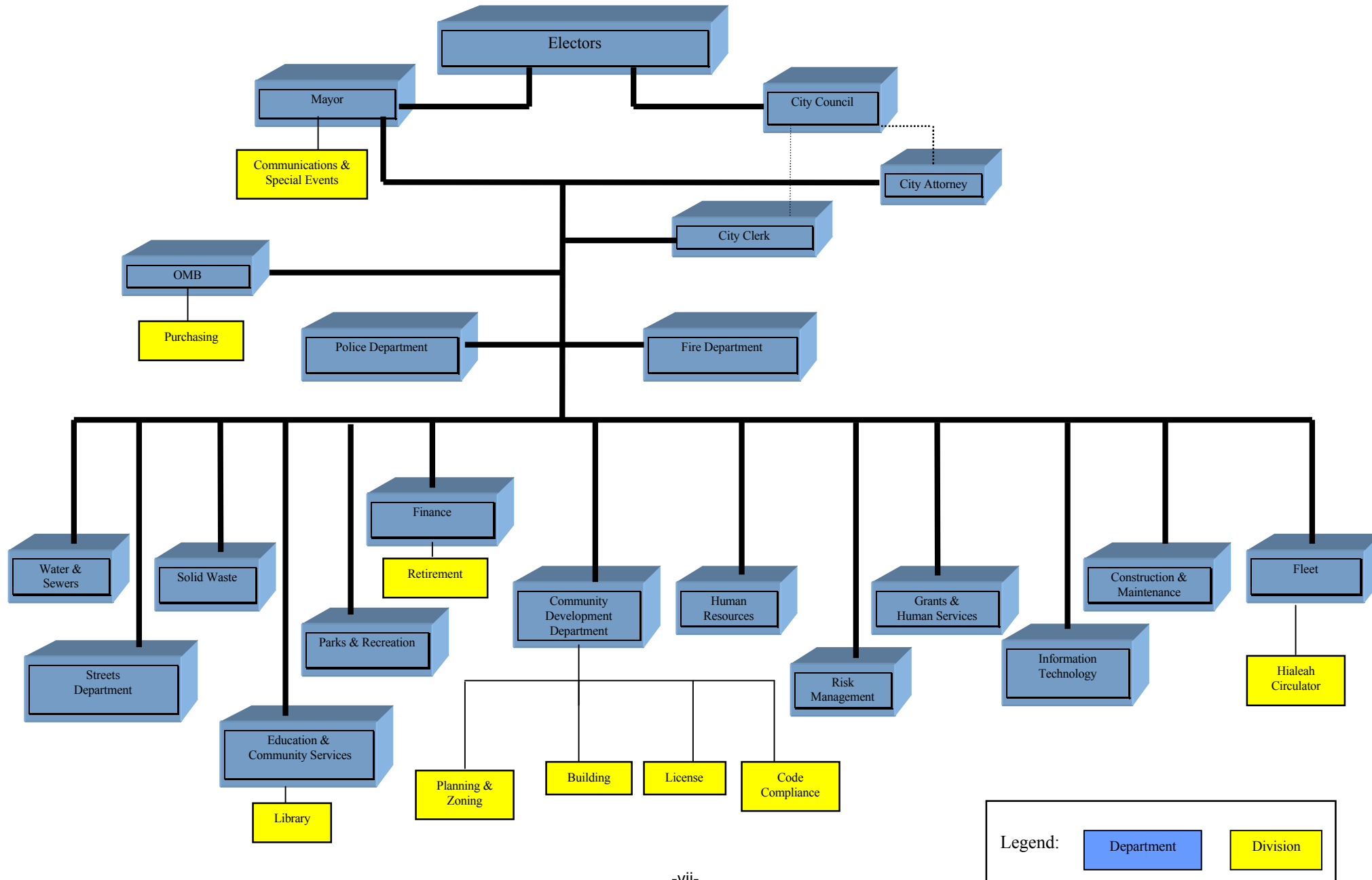
Prepared by:

Finance Department and Administration

CITY OF HIALEAH, FLORIDA

ORGANIZATIONAL CHART

SEPTEMBER 30, 2007



FINANCIAL SECTION

REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS



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ACC-CPA.COM

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Honorable Mayor and Members of the City Council
City of Hialeah, Florida

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hialeah, Florida (the City) as of and for the fiscal year then ended September 30, 2007 which collectively comprise the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

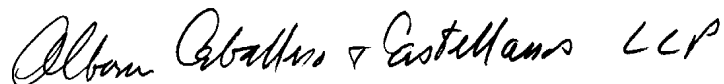
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of September 30, 2007, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2008 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Honorable Mayor and Members of the City Council
City of Hialeah, Florida
Page Two

Management's Discussion and Analysis and the Required Supplementary Information on pages 3 to 16 and pages 62 to 65, respectively, are not a required part of the basic financial statements but are supplementary information required by generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund financial statements and schedules and the statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. Similarly, the accompanying schedule of expenditures of federal awards and state financial assistance projects is presented for purposes of additional analysis as required by U.S. Office Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, Rules of the Auditor General, and is not a required part of the basic financial statements. The combining and individual fund financial statements and schedules and schedule of expenditures of federal awards and state financial assistance projects have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The information identified in the table of contents as the Introductory and Statistical Sections has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion thereon.

A handwritten signature in black ink that reads "Albert Robles & Castellanos LLP". The signature is written in a cursive, flowing style.

Coral Gables, Florida
March 27, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Hialeah, Florida, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2007.

Financial Highlights

- The net assets of the City of Hialeah's Governmental and Business-type funds exceeded its liabilities at the close of the most recent fiscal year by \$271 million.
- The City's change in net assets for governmental and business-type activities is \$25.6 million during the current fiscal year.
- At the close of the current fiscal year, the City's Governmental Funds reported combined ending fund balances of \$46 million, a decrease of \$7 million in comparison with the prior year. Approximately 77.7% of the total amount is considered unreserved funds. Of these \$35.7 million, \$19.4 million have been designated for subsequent year's expenditures, \$7.8 million for future construction, \$3.2 million for public safety and \$0.7 million for debt service. The remaining \$4.6 million is considered unreserved and undesignated at the closing of the year, and are funds *available for spending* at the government's discretion. It is important for readers to understand that these funds *available for spending* are essential for long-term commitments and unanticipated contingencies and should not be considered superfluous.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Hialeah's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. In addition to these basic financial statements, this report contains other supplementary information.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*).

The governmental activities of the City include police, fire, streets, grants and human services, state housing initiative, work investment act programs, library, code compliance, licenses, fleet maintenance, construction and maintenance, recreation and community services, planning and development, and general and administrative services.

The business type activities of the City include solid waste, bus circulator and water & sewer operations. The government-wide financial statements can be found on pages 17-18 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable* resources, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, the reader may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the Capital Improvement Construction, which is considered to be the major fund. Data from the other governmental funds are combined into a single, aggregate presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget. The basic governmental fund financial statements can be found on pages 19-20 of this report.

Proprietary funds. The City maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its solid waste, bus transit and water & sewer operations.

The proprietary fund provides the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the solid waste and water & sewer operations, which are considered to be major funds of the City. The basic proprietary fund financial statements can be found on pages 22-26 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 27-28 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the basic financial statements can be found on pages 29-61 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* including, but not limited to, the budgetary comparison schedule of the General Fund and information concerning the City's progress in funding its obligation to provide pension benefits to its employees.

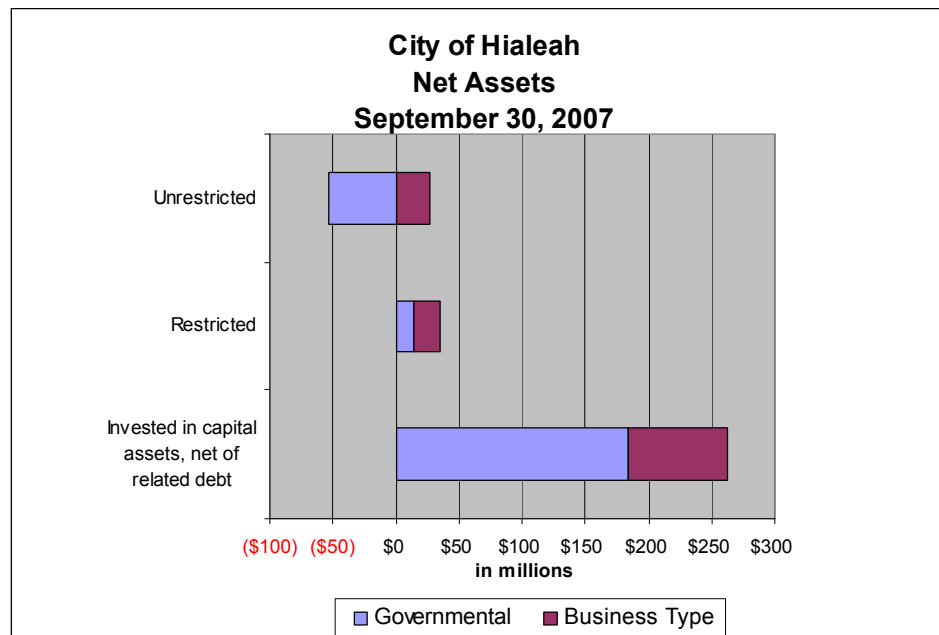
Required supplementary information can be found on pages 62-65 of this report.

The combining statements referred to earlier in connection with non-major governmental funds is presented immediately following the required supplementary information.

Combining and individual fund statements can be found on pages 67-82 of this report.

Government-wide Financial Analysis

Net assets may serve over time as a useful indicator of the City's financial position. In the case of the City of Hialeah, total net assets exceed liabilities by \$271 million at the close of the most recent fiscal year. This is a 10% increase compared to last year's net assets of \$245 million.



By far the largest portion of the City's net assets (87%) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, they are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets (13%) represents resources that are subject to external restrictions on how they may be used. The remaining balance is considered unrestricted net assets and that amount is a negative \$27.8 million. This figure illustrates that if all liabilities became due at this point in time, total assets would be insufficient to cover all our obligations. Fixed assets of the City would need to be sold in order to meet contingencies.

CITY OF HIALEAH - NET ASSETS						
	Governmental	Business-type	Total	Governmental	Business-type	Total
	<u>Activities</u>	<u>Activities</u>	<u>2007</u>	<u>Activities</u>	<u>Activities</u>	<u>2006</u>
Current and other assets	\$ 55,311,777	\$ 41,096,921	\$ 96,408,698	\$ 72,683,464	\$ 30,763,386	\$ 103,446,850
Restricted assets	15,977,876	34,918,895	50,896,771	2,949,960	43,978,936	46,928,896
Capital assets, net	<u>299,285,632</u>	<u>81,314,554</u>	<u>380,600,186</u>	<u>273,130,821</u>	<u>78,427,381</u>	<u>351,558,202</u>
Total assets	<u>370,575,285</u>	<u>157,330,370</u>	<u>527,905,655</u>	<u>348,764,245</u>	<u>153,169,703</u>	<u>501,933,948</u>
Long-term liabilities	115,783,952	2,511,086	118,295,038	113,968,085	2,327,329	116,295,414
Other liabilities	<u>110,843,937</u>	<u>27,737,670</u>	<u>138,581,607</u>	<u>106,375,022</u>	<u>33,841,065</u>	<u>140,216,087</u>
Total liabilities	<u>226,627,889</u>	<u>30,248,756</u>	<u>256,876,645</u>	<u>220,343,107</u>	<u>36,168,394</u>	<u>256,511,501</u>
Net Assets:						
Invested in capital assets,						
net of related debt	183,501,680	79,156,300	262,657,980	157,977,858	106,282,295	264,260,153
Restricted	14,711,001	21,446,086	36,157,087	1,723,358	7,606,961	9,330,319
Unrestricted	<u>(54,265,285)</u>	<u>26,479,228</u>	<u>(27,786,057)</u>	<u>(31,280,078)</u>	<u>3,112,053</u>	<u>(28,168,025)</u>
Total net assets	<u>\$ 143,947,396</u>	<u>\$ 127,081,614</u>	<u>\$ 271,029,010</u>	<u>\$ 128,421,138</u>	<u>\$ 117,001,309</u>	<u>\$ 245,422,447</u>

Net assets of the City's governmental activities increased by 12% (\$15.5 million) from \$128.4 million for last fiscal year, compared to \$143.9 million in the current fiscal year.

Net assets of the City's business-type activities increased by 8.6% (\$10.1 million) from \$117 million for last fiscal year, compared to \$127.1 million in the current fiscal year.

CITY OF HIALEAH - CHANGES IN NET ASSETS						
	Governmental Activities	Business-type Activities	Total 2007	Governmental Activities	Business-type Activities	Total 2006
Revenues:						
Program revenues:						
Charges for services	\$ 18,254,177	\$ 56,037,292	\$ 74,291,469	\$ 20,665,083	\$ 57,319,560	\$ 77,984,643
Operating grants & contributions	11,346,564	-	11,346,564	34,698,127	457,207	35,155,334
Capital grants & contributions	22,174,756	3,557,718	25,732,474	-	356,111	356,111
General Revenues:						
Property taxes	61,549,502	-	61,549,502	54,405,056	-	54,405,056
Utility taxes	24,769,883	-	24,769,883	24,007,854	-	24,007,854
Franchise fees on gross receipts	11,929,276	-	11,929,276	-	-	-
State & local shared revenue	34,202,926	-	34,202,926	35,372,486	-	35,372,486
Grants & contributions unrestricted	-	-	-	-	2,598,140	2,598,140
Unrestricted interest	2,402,998	3,361,773	5,764,771	2,413,802	-	2,413,802
Total revenues	186,630,082	62,956,783	249,586,865	171,562,408	60,731,018	232,293,426
Expenses:						
General government	65,326,837	-	65,326,837	65,290,102	-	65,290,102
Police	42,209,396	-	42,209,396	37,743,976	-	37,743,976
Fire	32,354,377	-	32,354,377	28,371,023	-	28,371,023
Streets	12,593,306	-	12,593,306	13,049,483	-	13,049,483
Recreation & community service	13,128,189	-	13,128,189	12,357,830	-	12,357,830
Interest on long-term debt	5,491,719	-	5,491,719	5,187,625	-	5,187,625
Water & sewer	-	36,259,160	36,259,160	-	37,231,951	37,231,951
Solid waste	-	14,715,629	14,715,629	-	15,144,955	15,144,955
Hialeah circulator	-	1,901,689	1,901,689	-	2,039,987	2,039,987
Total expenses	171,103,824	52,876,478	223,980,302	162,000,039	54,416,892	216,416,931
Change in net assets	15,526,258	10,080,305	25,606,563	9,562,369	6,314,126	15,876,495
Net assets-beginning	128,421,138	117,001,309	245,422,447	118,858,769	110,687,183	229,545,952
Net assets-ending	\$ 143,947,396	\$ 127,081,614	\$ 271,029,010	\$ 128,421,138	\$ 117,001,309	\$ 245,422,447

Governmental activities. Governmental activities increased the City's net assets by \$15.5 million. For the most part, increases in expenses closely paralleled inflation and growth in the demand for services. Operating grants and contributions decreased by \$23.4 million in the current fiscal year. This was due in large part to a reclassification of revenues of \$11.9 million to Franchise fees on gross receipts; and approximately \$8.5 million received in fiscal year 2006 from FEMA for disaster relief assistance relating to hurricane Wilma which accounted for the reduction in the Operating grants and contribution category in fiscal year 2007. Revenues in the category Charges for services, decreased in the current fiscal year by \$2.4 million due to the decrease in number of permits and inspections that were issued. Due to hurricane Wilma; which affected the City in early fiscal year 2006, there was an increased of permits and inspections and consequently revenue total for Charges and services was higher than the current fiscal year.

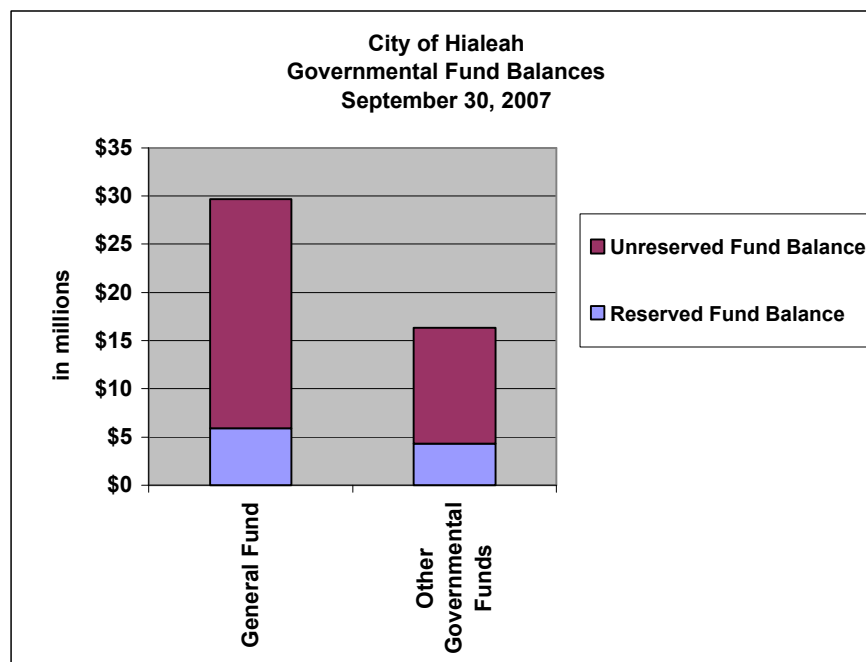
Business-type activities. Net assets for business-type activities increased by \$10.1 million in the current fiscal year. In addition, current year revenues increased by \$2.2 million while expenses decreased \$1.5 million. This increase in revenue was due to \$3 million increase in Capital grants and contributions received for Water and Sewer infrastructure projects of the newly annexed area that have begun taking place during the current fiscal year. This demonstrates that over the last 4 fiscal years these operations of the City have been stable with reasonable sources of income while performing very efficiently. Current year

operating loss for Solid Waste was a negative \$1.9 million. This loss was due to the increased in the fees charge to the City by Miami-Dade County for waste disposal; however, there have been no significant adjustments to rates charged to the residents for these services by the City.

Financial Analysis of the City's Funds

As noted earlier, the City of Hialeah uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year.



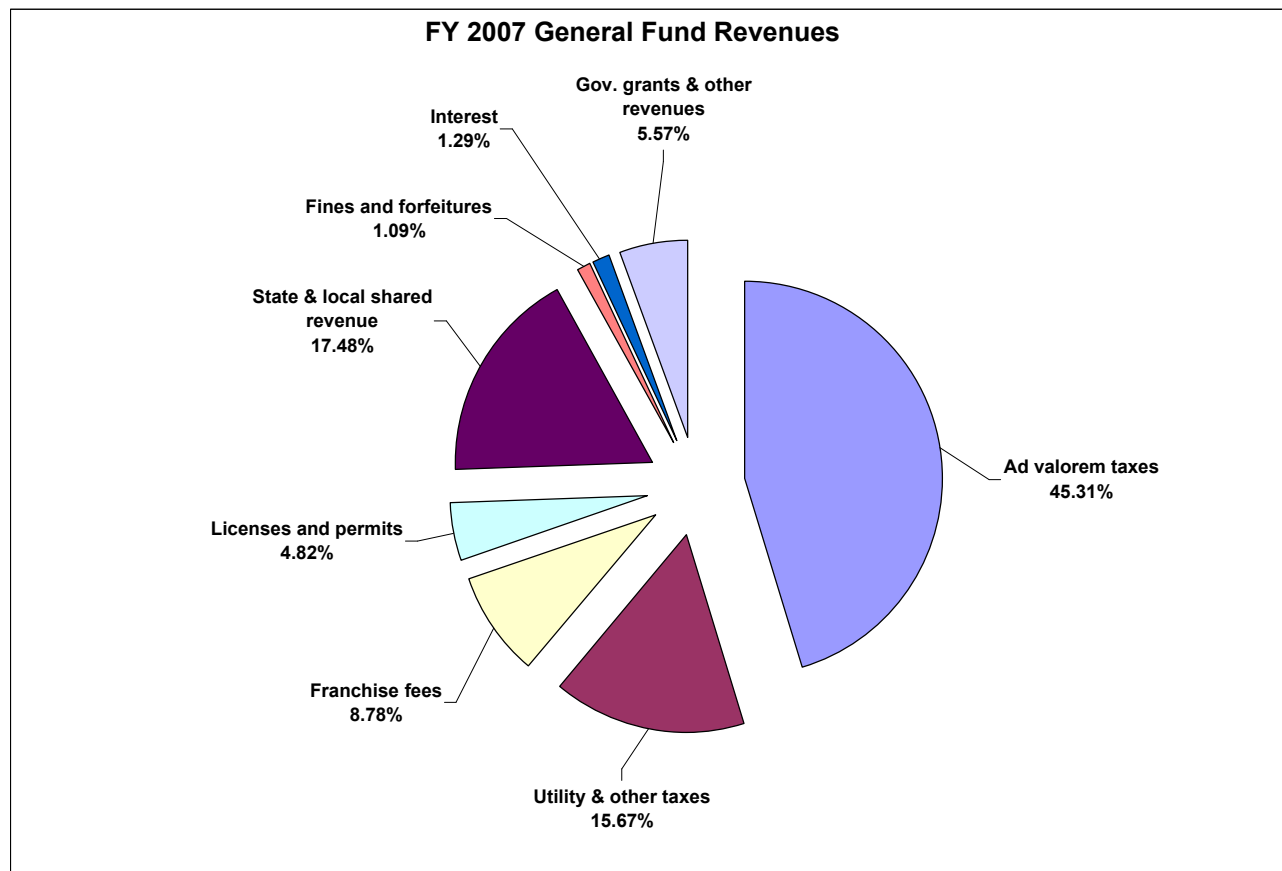
As of the end of the current fiscal year, the City's *governmental funds* reported combined ending fund balances (both reserved and unreserved) of \$46 million, a decrease of \$7 million in comparison with the prior year. Approximately 80% of the General Fund's fund balance (\$23.8 million) constitutes *unreserved fund balance*, which is available for spending as explained earlier under Financial Highlights. The remainder of fund balance is *reserved* to indicate it is not available for new spending because it has already been committed for a variety of restricted purposes, such as encumbrances and inventory.

The General Fund is the chief operating fund of the City. General tax revenues and other receipts that are not allocated by law or contractual agreement to another fund are accounted for in this fund. General operating expenses, fixed charges and capital improvement costs not paid through other funds are paid from this fund.

The amount of General Fund revenue (budgetary basis) from various sources, the percentage of the total and the amount of change compared to last fiscal year are shown in the following schedule:

Revenue Sources	2007 Amount	2007	2006 Amount	2006	Amount Incr (Decr) from Prior Year	Percent Incr -Decr from Prior Year
		Percent of Total		Percent of Total		
Ad valorem taxes	\$ 61,549,502	45.31%	\$ 54,289,694	42.52%	\$ 7,259,808	13.37%
Utility & other taxes	21,279,503	15.67%	20,750,306	16.25%	529,197	2.55%
Franchise fees	11,929,276	8.78%	11,098,497	8.69%	830,779	7.49%
Licenses and permits	6,545,178	4.82%	7,578,664	5.94%	(1,033,486)	-13.64%
State & local shared revenue	23,738,237	17.48%	24,365,721	19.08%	(627,484)	-2.58%
Fines and forfeitures	1,478,397	1.09%	1,375,562	1.08%	102,835	7.48%
Interest	1,749,334	1.29%	1,577,498	1.24%	171,836	10.89%
Gov. grants & other revenues	7,568,934	5.57%	6,656,621	5.21%	912,313	13.71%
Total	<u>\$ 135,838,361</u>	100%	<u>\$ 127,692,563</u>	100%	<u>\$ 8,145,798</u>	6.38%

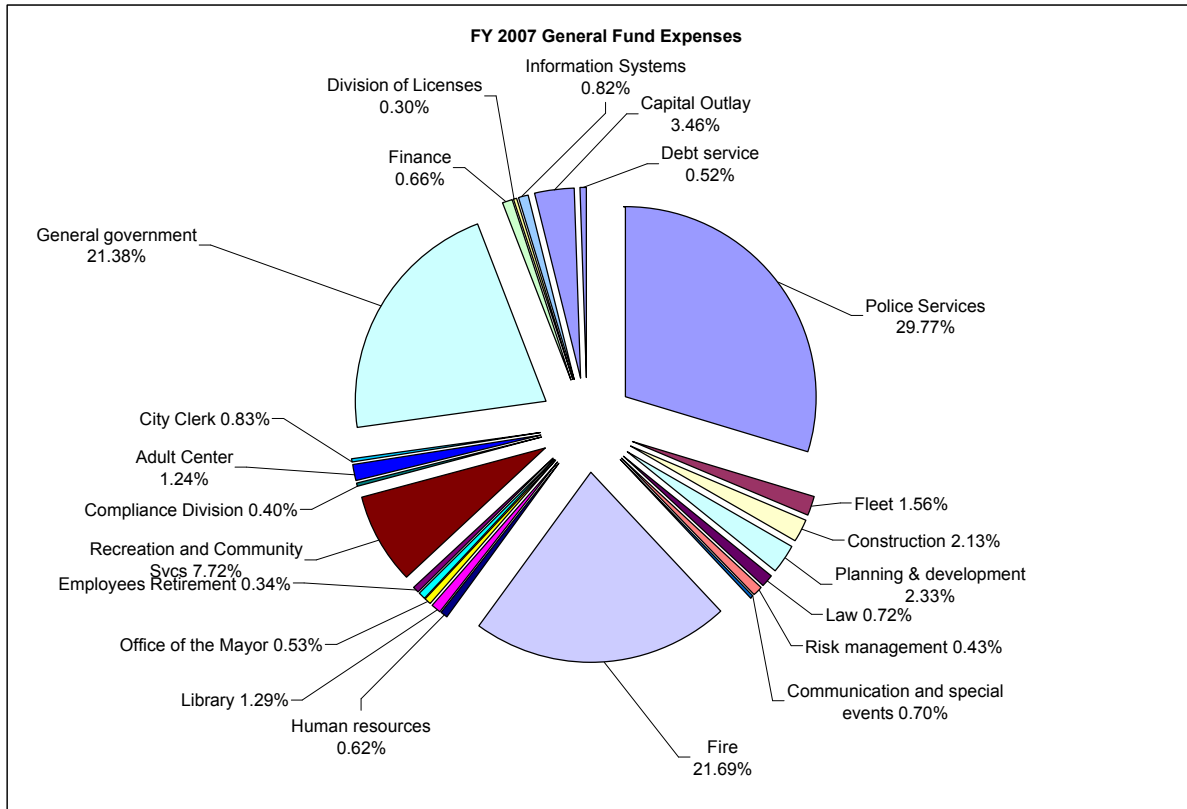
Compared to the prior fiscal year, total General Fund revenues increased by \$8.1 million or 6.4% in fiscal year 2007. The bulk of this increase is due to an increase in ad valorem taxes and government grants, which resulted from increased property values and increased funding from various government grants. Other sources had increases or decreases that ultimately netted out.



Licenses and permits decreased by 13.6% due to the decrease of permits in the current fiscal year from the prior year. In fiscal year 2006 hurricane Wilma, there was an increased of permits and inspections and consequently revenue in the prior year was higher than in the current fiscal year when conditions began to normalize. For Interest, the 10.9% increase is primarily due to increase in interest rates and market conditions during 2007.

Expenditures in the General Fund (budgetary basis) are shown in the following schedule:

<u>Expenditures</u>	2007		2006		Amount Incr (Decr) from Prior Year	Percent Incr -Decr from Prior Year
	<u>2007</u>	<u>Percent of Total</u>	<u>2006</u>	<u>Percent of Total</u>		
Police Services	\$ 40,115,011	29.77%	\$ 37,168,162	29.77%	\$ 2,946,849	7.93%
Fleet	2,107,047	1.56%	2,291,796	1.84%	(184,749)	-8.06%
Construction	2,876,541	2.13%	2,656,957	2.13%	219,584	8.26%
Planning & develop.	3,135,389	2.33%	2,630,981	2.11%	504,408	19.17%
Adult center	1,675,303	1.24%	-	0.00%	1,675,303	100.00%
Law	965,169	0.72%	889,820	0.71%	75,349	8.47%
Risk management	578,003	0.43%	432,882	0.35%	145,121	33.52%
Fire	29,217,724	21.69%	26,852,433	21.51%	2,365,291	8.81%
Human resources	838,335	0.62%	905,862	0.73%	(67,527)	-7.45%
City Clerks Office	1,112,082	0.83%	1,295,503	1.04%	(183,421)	-14.16%
OMB	753,186	0.56%	596,364	0.48%	156,822	26.30%
Office of the Mayor	714,702	0.53%	675,196	0.54%	39,506	5.85%
Commun. & Spc. Events	941,837	0.70%	-	0.00%	941,837	100.00%
Recr. & comm.	10,399,244	7.72%	11,313,187	9.06%	(913,943)	-8.08%
Employees Ret.	455,229	0.34%	483,995	0.39%	(28,766)	-5.94%
Library	1,743,219	1.29%	2,067,074	1.66%	(323,855)	-15.67%
Compliance Division	535,830	0.40%	544,655	0.44%	(8,825)	-1.62%
General government	28,805,443	21.38%	28,546,234	22.87%	259,209	0.91%
Finance	890,882	0.66%	778,099	0.62%	112,783	14.49%
Division of Licenses	397,628	0.30%	386,085	0.31%	11,543	2.99%
Information Systems	1,109,924	0.82%	887,225	0.71%	222,699	25.10%
Capital Outlay	4,663,829	3.46%	2,730,480	2.19%	1,933,349	70.81%
Debt service	<u>705,360</u>	0.52%	<u>697,654</u>	0.56%	<u>7,706</u>	1.10%
Total	<u>\$ 134,736,917</u>	100.00%	<u>\$ 124,830,644</u>	100.00%	<u>\$ 9,906,273</u>	7.94%



In fiscal year 2007, total General Fund expenditures increased by \$9.9 million or 7.9% as compared to the prior year. The bulk of the increase was due to a 3% salary increase at the beginning of fiscal year 2007 across the board for General employees and 3.5% to 5% salary increase for Police and Fire, based on their respective labor agreements.

Proprietary funds. The City maintains three types of proprietary funds. *Enterprise funds* are used to provide the same type of information found in the government-wide financial statements, but in more detail. The City uses proprietary funds to account for its water and sewer, solid waste and Hialeah circulator operations.

Unrestricted net assets of all the enterprise funds at the end of the year amounted to \$26.5 million. Unrestricted net assets at the end of the year for the Water and Sewer Fund and Solid Waste Fund amounted to \$31.5 million and a negative \$5.4 million, respectively. Other factors concerning the finances of these two major funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

The differences in the *actual* revenues and expenses as *compared* to the *budget* are summarized as follows:

- Ad valorem taxes collected were lower than budgeted due to taxpayers taking advantage of the discounts provided for early payment and additional exemptions provided for senior residents.
- Utility taxes collected were higher than budgeted because budget projection was based on prior year experience and projection information provided by the State of Florida.
- Franchise fees collected were higher than budgeted due to an increase in consumer usage.
- The increases in license and permit fees are due collections being higher than budgeted because budget projection was based on prior year experience. However, the prior year had a substantial increase in this revenue source due to the hurricanes that affected the City in early fiscal year 2006.
- For State and local-shared revenues the variance between budget and the higher actual receipts is due to the conservative projections from the State of Florida Department of Revenue and the half-cent sales tax that is based on consumer spending.
- Interest revenue earned was lower than budgeted due a slow down in the national economy and lowering of the prime rate by the federal reserve in the current fiscal year; thereby, lowering interest revenue earned.
- Government grants and other revenues were lower than budgeted due to the fact that most grants are on a request for reimbursement basis; and although the grants were awarded to the City and therefore the revenue was budgeted, the City had not incurred the expenses as of the end of the current fiscal year and consequently the funds were not requested for reimbursement at year end.
- The City's departments were over all efficient in staying within or under the budgeted figures.
- Police, Fire and Recreation and community services department expenses were 7.2%, 4.6% and 15.7%, respectively, lower than budgeted due to vacant positions during the fiscal year as well as several capital projects budgeted but not completed during the current fiscal year.
- General government's expenses were lower than expected as contingencies provided for in its reserve accounts were not obligated to the extent budgeted.
- Capital outlay accounts were mainly budgeted for construction projects, which were either not completed or implemented during this fiscal year.

Differences between the *original budget* and the *final amended budget* for expense accounts were an increase of \$1.6 million, and increase of 1% over the original budget. However, actual expenditures were lowered than final amended budget by \$17.9 million or 11.7%.

Capital Assets and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business type activities as of September 30, 2007 totals \$381 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, infrastructure, improvements other than buildings, and machinery and equipment. The total increase in the City's investment in capital assets for the current fiscal year was 8.3%.

CITY OF HIALEAH - CAPITAL ASSETS (NET OF DEPRECIATION)

	<u>September 30, 2007</u>			<u>September 30, 2006</u>		
	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
Land	\$ 28,874,935	\$ 329,356	\$ 29,204,291	\$ 27,416,571	\$ 329,356	\$ 27,745,927
Building and plant	44,267,828	1,551,105	45,818,933	44,410,431	1,607,544	46,017,975
Improvements other than buildings	12,511,755	173,287	12,685,042	12,182,421	203,454	12,385,875
Furniture, fixtures, machinery and equipment	15,700,218	4,872,938	20,573,156	14,481,308	5,394,030	19,875,338
Infrastructure	162,292,215	74,182,290	236,474,505	151,799,692	70,672,573	222,472,265
Construction in progress	<u>35,638,681</u>	<u>205,578</u>	<u>35,844,259</u>	<u>22,840,398</u>	<u>220,426</u>	<u>23,060,824</u>
Total capital assets	<u>\$ 299,285,632</u>	<u>\$ 81,314,554</u>	<u>\$ 380,600,186</u>	<u>\$ 273,130,821</u>	<u>\$ 78,427,383</u>	<u>\$ 351,558,204</u>

Additions to capital assets before depreciation for governmental activities equaled \$58.5 million and include the following items:

- Reconstruction of several City street projects totaling \$18.6 million and continued construction in progress of street projects and the 300-unit affordable housing building in the amount of \$30.7 million.
- New vehicles and equipment for various departments totaling \$4.1 million.
- Improvements other than building around the City totaling \$1.3 million.

Additions to capital assets before depreciation for business type activities equaled \$3.6 million and include the following items:

- Purchases of new equipment, heavy equipment and trucks totaling approximately \$500 thousand.
- Relining of sewer mains and upgrades or replacement of water mains totaling \$3.1 million.

Additional information on the City's capital assets can be found in Note 8 starting on page 42 of this report.

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$2.6 million all of which is secured by revenues derived from rescue transportation fees. More in-depth detail can be found on pages 45 to 51, Note 10.

CITY OF HIALEAH'S OUTSTANDING DEBT General Obligation, Revenue Bonds and Notes Payable

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Revenue bonds	\$ 2,610,000	\$ 2,780,000	\$ -	\$ 465,000	\$ 2,610,000	\$ 3,245,000
Notes payable	<u>112,010,000</u>	<u>109,930,000</u>	<u>1,185,000</u>	<u>2,305,000</u>	<u>113,195,000</u>	<u>112,235,000</u>
Total	<u>\$ 114,620,000</u>	<u>\$ 112,710,000</u>	<u>\$ 1,185,000</u>	<u>\$ 2,770,000</u>	<u>\$ 115,805,000</u>	<u>\$ 115,480,000</u>

During the current fiscal year, the City's net outstanding debt increased by \$325 thousand. The increase was due to an executed loan agreement with SunTrust Bank for a construction line of credit, of which and additional \$4,950,000 had been borrowed at September 30, 2007, for the construction of a 300-unit

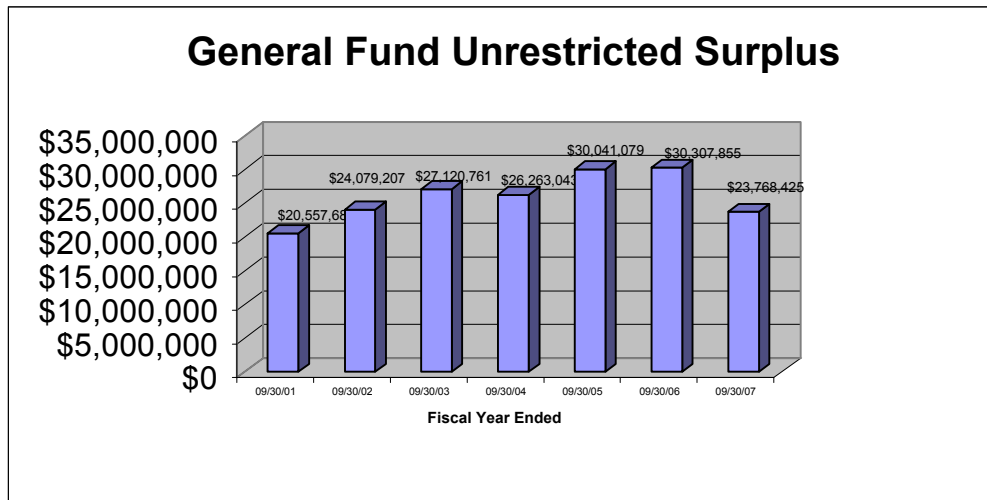
affordable housing project. Additional information on the City's long-term debt can be found in the notes to the financial statements. However, the increase was offset by current year debt payments.

Economic Factors and Next Year's Budgets and Rates

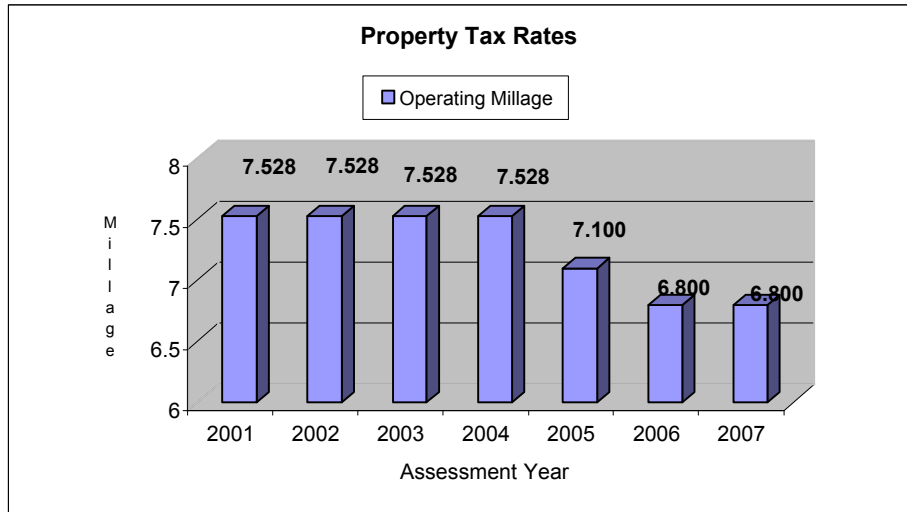
The City's local economy is primarily based upon industrial, light manufacturing and service related companies. The occupancy rates of the City's establishments for these businesses remained at approximately 96%.

During the current fiscal year, unreserved fund balance in the General Fund decreased to \$23.8 million. The City appropriated \$19.4 million of this amount for spending in the 2008 fiscal year budget. Within the 2007 budget there are a number of uncertainties, such as an actuarial decrease to the City's pension contribution of 1.4% (from 27.7% to 26.3%), and health and liability insurance costs that are rising and unpredictable. The remaining \$4.3 million is considered unreserved and undesignated.

The unreserved fund balance of \$23.8 million is approximately equal to two months of the General Fund expenditures. The following graph shows the City's fund balance for the last seven years:



In 1995, the State of Florida limited all local governments' ability to raise property tax rates in any given year to 3% or cost of living, whichever is lower. As the following graph indicates, the City's property tax rates have been reduced by almost $\frac{3}{4}$ of a mill since 2000 and have remained relatively steady. The City's operational expenditures, such as salaries, health insurance, pension contributions and gas and oil continue to increase while our revenue resources have become more and more limited. The City has its own police and fire services, recreational and aquatic facilities and a full service library system, which we maintain at optimum levels without the need for additional voter approved debt. This City has focused on maintaining taxes and service charges to a minimum while providing services to our taxpayers at a maximum level.



2007 Fiscal Year Accomplishments

During the 2006/2007 fiscal year, the City of Hialeah, has invested its revenues from all sources in a manner that reflects a vision towards the future. This investment will be enjoyed by the current residents of Hialeah as well as future generations. The following list illustrates a sampling of our major accomplishments this year.

- The City has annexed 1,890 acres of land located northwest of the City and construction of the infrastructure system is underway. The proposed future land use for this area is as follows:
 - 4,395 Residential units
 - 1,651,680 Square Feet Retail/Commercial/Office
 - 7,623,000 Square Feet Industrial
 - 30 to 50 Acre Park
- Water and Sewer Department
 - Continued repairs and rehabilitation to sewage pump stations around the City of Hialeah
 - Completed the lining of approximately 54,000 lineal feet of sewer lines
 - Commenced with the planning, design and permitting of a new water treatment plant that will provide service to the new annexed area as well as other areas in northwest quadrant of the County
 - Commenced with the construction of a regional sewage pump station to serve the newly City annexed area
- Construction and Maintenance
 - Commencement of the new 300-unit affordable housing complex
 - Completion of a new Fire Station No. 8
 - Completion of the Walker Park E-Library project as well as major renovations at Southeast Park and O'Quinn Park
 - Beginning construction of the a new vocational Charter School at Slade Park
- Street Department
 - 20 Road construction projects covering 12 miles
 - Continued median beautification/maintenance program

Completion of road design project for the new annexation area

- Recreation Department
 - Completion of major renovations and improvements at Slade Park E-Library
 - Completion of the new Walker Park E-Library and Community Center project

Future Outlook

- Water and Sewer Department
 - Continued with ongoing programs to upgrade Sewer Pump Stations
 - Lining of an additional 50,000 lineal feet of sewer lines
 - Construction of a new regional pump station to support the new annexed area
 - Construction of the sanitary sewer system and the water distribution system to service the annexed area and to support development
- Construction and Maintenance Department
 - Completion of a 300-unit Affordable Housing Complex
 - Commencement and completion of major renovations at Milander Stadium
 - Completion of the a new vocational Charter School at Slade Park
- Streets Department
 - Completion of road construction and resurfacing projects in the City
 - Completion of road design and road construction in annexation area
 - Continued implementation of median beautification/maintenance program
- Recreation Department
 - Continued major renovations and improvements at various City parks
 - Completion of major renovations at Milander Stadium

All these factors were considered in preparing the City's budget for fiscal year 2007.

Requests for Information

This financial report is designed to provide a general overview of the City of Hialeah's finances for all those with an interest in the City's finances.

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Vivian Parks, Finance Director, Finance Department, City of Hialeah, 501 Palm Avenue, Hialeah, Florida 33010. In addition, the City's Comprehensive Annual Financial Report may be obtained through the City's website at <http://www.hialeahfl.gov>.

BASIC FINANCIAL STATEMENTS

CITY OF HIALEAH, FLORIDA

STATEMENT OF NET ASSETS

SEPTEMBER 30, 2007

	Governmental Activities	Business- Type Activities	Total
<u>ASSETS</u>			
Cash and cash equivalents	\$ 19,929,078	\$ 33,778,543	\$ 53,707,621
Investments	-	4,282,983	4,282,983
Receivables	24,668,614	9,182,324	33,850,938
Mortgage receivable	1,565,170	-	1,565,170
Net pension asset	1,565,608	-	1,565,608
Internal balances	6,396,712	(6,610,281)	(213,569)
Inventories	1,186,595	463,352	1,649,947
Restricted assets:			
Cash and cash equivalents	15,977,876	12,929,674	28,907,550
Investments	-	18,971,050	18,971,050
Other assets	-	3,018,171	3,018,171
Capital assets, not being depreciated	64,513,616	534,934	65,048,550
Capital assets, net of accumulated depreciation	<u>234,772,016</u>	<u>80,779,620</u>	<u>315,551,636</u>
Total assets	<u>370,575,285</u>	<u>157,330,370</u>	<u>527,905,655</u>
<u>LIABILITIES</u>			
Accounts payable and other current liabilities	7,760,678	7,083,182	14,843,860
Unearned revenue	11,268,291	1,839,838	13,108,129
Liabilities payable from restricted assets	-	10,456,738	10,456,738
Other liabilities	474,745	35,000	509,745
Compensated absences	17,608,719	1,810,641	19,419,360
Net pension obligation	41,091,160	-	41,091,160
Claims payable	32,640,344	6,512,271	39,152,615
Non-current liabilities:			
Due within one year	3,859,183	176,416	4,035,599
Due in more than one year	<u>111,924,769</u>	<u>2,334,670</u>	<u>114,259,439</u>
Total liabilities	<u>226,627,889</u>	<u>30,248,756</u>	<u>256,876,645</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	183,501,680	79,156,300	262,657,980
Restricted for:			
Asset renewal and replacement	-	18,971,050	18,971,050
Capital projects	10,802,592	-	10,802,592
Public safety	3,221,909	-	3,221,909
Debt service	686,500	2,475,036	3,161,536
Unrestricted	<u>(54,265,285)</u>	<u>26,479,228</u>	<u>(27,786,057)</u>
Total net assets	<u>\$ 143,947,396</u>	<u>\$ 127,081,614</u>	<u>\$ 271,029,010</u>

See notes to basic financial statements.

CITY OF HIALEAH, FLORIDA

STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2007

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 65,326,837	\$ 10,990,136	\$ 6,842,508	\$ 10,089,669	\$ (37,404,524)	\$ -	\$ (37,404,524)
Police	42,209,396	2,063,068	2,780,758	1,132,646	(36,232,924)	-	(36,232,924)
Fire	32,354,377	3,428,353	409,716	-	(28,516,308)	-	(28,516,308)
Streets	12,593,306	28,973	186,000	2,054,752	(10,323,581)	-	(10,323,581)
Recreation and community services	13,128,189	1,743,647	1,127,582	8,897,689	(1,359,271)	-	(1,359,271)
Interest on long term debt	5,491,719	-	-	-	(5,491,719)	-	(5,491,719)
Total governmental activities	171,103,824	18,254,177	11,346,564	22,174,756	(119,328,327)	-	(119,328,327)
Business-type activities:							
Water and sewer	35,859,160	40,836,360	-	3,557,718	-	8,534,918	8,534,918
Solid waste	14,715,629	12,853,239	-	-	-	(1,862,390)	(1,862,390)
Hialeah circulator	1,901,689	1,947,693	-	-	-	46,004	46,004
Total business-type activities	52,476,478	55,637,292	-	3,557,718	-	6,718,532	6,718,532
	<u>\$ 223,580,302</u>	<u>\$ 73,891,469</u>	<u>\$ 11,346,564</u>	<u>\$ 25,732,474</u>	<u>(119,328,327)</u>	<u>6,718,532</u>	<u>(112,609,795)</u>
General revenues:							
Property taxes					61,549,502	-	61,549,502
Utility taxes					24,769,883	-	24,769,883
Franchise fees on gross receipts					11,929,276	-	11,929,276
Intergovernmental revenues					34,202,926	-	34,202,926
Unrestricted interest					2,402,998	3,361,773	5,764,771
Total general revenues					134,854,585	3,361,773	138,216,358
Change in net assets					15,526,258	10,080,305	25,606,563
Net assets - beginning					128,421,138	117,001,309	245,422,447
Net assets - ending					<u>\$ 143,947,396</u>	<u>\$ 127,081,614</u>	<u>\$ 271,029,010</u>

See notes to basic financial statements.

CITY OF HIALEAH, FLORIDA

BALANCE SHEET GOVERNMENTAL FUNDS

SEPTEMBER 30, 2007

	<u>General</u>	<u>Charter School</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ 19,344,246	\$ -	\$ 584,832	\$ 19,929,078
Receivables	10,228,423	-	14,440,191	24,668,614
Due from other funds	22,961,475	3,000,000	12,829,229	38,790,704
Inventories	1,186,595	-	-	1,186,595
Restricted cash	3,000,000	-	12,977,876	15,977,876
Total assets	<u>\$ 56,720,739</u>	<u>\$ 3,000,000</u>	<u>\$ 40,832,128</u>	<u>\$ 100,552,867</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Vouchers payable and accrued liabilities	\$ 4,290,114	\$ -	\$ 3,470,564	\$ 7,760,678
Compensated absences payable	225,848	-	-	225,848
Self-insurance claims payable	2,384,514	-	-	2,384,514
Due to other funds	16,905,951	-	15,488,041	32,393,992
Deferred revenue	2,743,790	3,000,000	5,524,501	11,268,291
Other liabilities	474,745	-	-	474,745
Total liabilities	<u>27,024,962</u>	<u>3,000,000</u>	<u>24,483,106</u>	<u>54,508,068</u>
Fund balances:				
Reserved for:				
Encumbrances	1,740,757	-	4,345,683	6,086,440
Inventories	1,186,595	-	-	1,186,595
Charter School	3,000,000	-	-	3,000,000
Unreserved:				
Designated for:				
Subsequent years' expenditures	19,420,258	-	-	19,420,258
Designated, reported in:				
Public safety	504,798	-	2,717,111	3,221,909
Capital project funds	-	-	7,802,592	7,802,592
Debt service fund	-	-	686,500	686,500
Undesignated, reported in:				
General fund	3,843,369	-	-	3,843,369
Special revenue funds	-	-	797,136	797,136
Total fund balances	<u>29,695,777</u>	<u>-</u>	<u>16,349,022</u>	<u>46,044,799</u>
Total liabilities and fund balances	<u>\$ 56,720,739</u>	<u>\$ 3,000,000</u>	<u>\$ 40,832,128</u>	
Amounts reported for governmental activities in the statement of net assets are different because:				
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.				299,285,632
Long-term liabilities, including bonds payable, are not due and payable in the current period				(115,783,952)
Compensated absences				(17,382,871)
Claims payable				(30,255,830)
Net pension asset				1,565,608
Net pension obligation				(41,091,160)
Long term receivable				1,565,170
Net assets of governmental activities				<u>\$ 143,947,396</u>

See notes to basic financial statements.

CITY OF HIALEAH, FLORIDA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2007

	<u>General</u>	<u>Charter School</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Taxes:				
Ad valorem taxes	\$ 61,549,502	\$ -	\$ -	\$ 61,549,502
Utility taxes	21,279,503	-	3,490,380	24,769,883
Franchise	11,929,276	-	-	11,929,276
Licenses and permits	6,545,178	-	229,203	6,774,381
State and local shared revenues	23,738,237	-	10,539,220	34,277,457
Fines and forfeitures	1,478,394	-	523,096	2,001,490
Interest	1,749,334	-	653,664	2,402,998
Government grants and other revenues	7,568,934	-	33,972,328	41,541,262
Total revenues	<u>135,838,358</u>	<u>-</u>	<u>49,407,891</u>	<u>185,246,249</u>
Expenditures:				
Current:				
General government	28,805,443	-	3,488,767	32,294,210
Police	40,115,011	-	490,959	40,605,970
Fire	29,217,724	-	1,603,672	30,821,396
Streets	-	-	5,539,443	5,539,443
Grants and human services	-	-	2,446,509	2,446,509
State housing initiative program	-	-	1,388,171	1,388,171
Work Investment Act programs	-	-	2,131,368	2,131,368
City Clerk's office	1,112,082	-	-	1,112,082
Office of Management and Budget	753,186	-	-	753,186
Office of the Mayor	714,702	-	-	714,702
Communications and special events	941,837	-	-	941,837
Employee retirement	455,229	-	-	455,229
Library	1,743,219	-	-	1,743,219
Compliance division	535,830	-	-	535,830
Finance	890,882	-	-	890,882
Division of licenses	397,628	-	-	397,628
Information systems	1,109,924	-	-	1,109,924
Fleet maintenance	2,107,047	-	-	2,107,047
Construction and maintenance	2,876,541	-	-	2,876,541
Recreation and community services	10,399,244	-	-	10,399,244
Planning and development	3,135,389	-	-	3,135,389
Adult center	1,675,303	-	-	1,675,303
Law	965,169	-	-	965,169
Risk management	578,003	-	-	578,003
Human resources	838,335	-	-	838,335
Debt service:				-
Principal	242,344	-	2,870,950	3,113,294
Interest	463,016	-	5,049,362	5,512,378
Capital outlay	4,663,829	-	37,432,525	42,096,354
Total expenditures	<u>134,736,917</u>	<u>-</u>	<u>62,441,726</u>	<u>197,178,643</u>
Excess (deficiency) of revenues over expenditures	<u>1,101,441</u>	<u>-</u>	<u>(13,033,835)</u>	<u>(11,932,394)</u>
Other financing sources (uses):				
Transfers in	-	-	6,475,276	6,475,276
Transfers out	(4,456,026)	-	(2,019,250)	(6,475,276)
Issuance of debt	-	-	4,950,000	4,950,000
Total other financing sources (uses)	<u>(4,456,026)</u>	<u>-</u>	<u>9,406,026</u>	<u>4,950,000</u>
Net change in fund balances	(3,354,585)	-	(3,627,809)	(6,982,394)
Fund balances - beginning	33,050,362	-	19,976,831	53,027,193
Fund balances - ending	<u>\$ 29,695,777</u>	<u>\$ -</u>	<u>\$ 16,349,022</u>	<u>\$ 46,044,799</u>

See notes to basic financial statements

CITY OF HIALEAH, FLORIDA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED SEPTEMBER 30, 2007

Amounts reported for governmental activities in the statement of
activities (Page 18) are different because:

Net change in fund balances - total governmental funds (Page 20) \$ (6,982,394)

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

The details of the difference are as follows:

Capital outlay	\$ 42,096,354	
Depreciation expense	<u>(13,151,107)</u>	
Net adjustment		28,945,247

The net effect of various transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase (decrease) net assets.

Donation of land	1,458,364	
Capital outlay which did not meet the threshold for capitalization	<u>(4,206,912)</u>	
Net adjustment		(2,748,548)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds

The details of the difference are as follows:

Decrease in receivable		(74,531)
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The issuance of long-term debt (e.g., bonds, master leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.

The details of the differences are as follows:

Issuance of debt		
Notes payable	(4,950,000)	
Principal payments:		
Revenue bonds	170,000	
Notes payable	2,870,000	
Mortgage payable	5,950	
Capital leases	<u>67,344</u>	
	<u>3,113,294</u>	
Net adjustment		(1,836,706)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

The details of the difference are as follows:

Net pension obligation	(1,071,830)	
Net pension asset	438	
Amortization bond issue costs	(71,624)	
Amortization of bond discount/premium	92,283	
Compensated absences	(758,182)	
Other items	<u>32,105</u>	
Net adjustment		<u>(1,776,810)</u>

Change in net assets of governmental activities (Page 18)		<u>\$ 15,526,258</u>
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See notes to basic financial statements.

CITY OF HIALEAH, FLORIDA

STATEMENT OF NET ASSETS PROPRIETARY FUNDS SEPTEMBER 30, 2007

	Water and Sewers Utility System	Solid Waste Utility System	Nonmajor Fund- Hialeah Circulator	Total
<u>ASSETS</u>				
Current assets:				
Cash and cash equivalents	\$ 33,778,543	\$ -	\$ -	\$ 33,778,543
Investments	4,282,983	-	-	4,282,983
Customers accounts receivable	8,782,952	-	-	8,782,952
Other receivables	-	-	399,372	399,372
Due from other funds	311,208	2,934,319	285,902	3,531,429
Inventories	463,352	-	-	463,352
Restricted assets:				
Cash	12,929,674	-	-	12,929,674
Other assets	3,018,171	-	-	3,018,171
Total current assets	<u>63,566,883</u>	<u>2,934,319</u>	<u>685,274</u>	<u>67,186,476</u>
Non-current assets:				
Restricted assets:				
Investments	18,971,050	-	-	18,971,050
Capital assets	144,930,540	12,697,232	322,151	157,949,923
Less accumulated depreciation	<u>(68,151,714)</u>	<u>(8,434,069)</u>	<u>(49,586)</u>	<u>(76,635,369)</u>
Total non-current assets	<u>95,749,876</u>	<u>4,263,163</u>	<u>272,565</u>	<u>100,285,604</u>
Total assets	<u>\$ 159,316,759</u>	<u>\$ 7,197,482</u>	<u>\$ 957,839</u>	<u>\$ 167,472,080</u>

(Continued)

See notes to basic financial statements.

CITY OF HIALEAH, FLORIDA

STATEMENT OF NET ASSETS PROPRIETARY FUNDS (Continued)

SEPTEMBER 30, 2007

	Water and Sewers Utility System	Solid Waste Utility System	Nonmajor Fund- Hialeah Circulator	Total
<u>LIABILITIES AND NET ASSETS</u>				
Current Liabilities:				
Accounts payable and accrued liabilities	\$ 6,483,058	\$ 398,433	\$ 201,691	\$ 7,083,182
Current portion of self-insurance claims payable	134,769	138,331	-	273,100
Current portion of Miami-Dade County water purchase agreement	176,416	-	-	176,416
Due to other funds	3,305,449	3,820,190	-	7,125,639
Other	-	35,000	-	35,000
	<u>10,099,692</u>	<u>4,391,954</u>	<u>201,691</u>	<u>14,693,337</u>
Current liabilities payable from restricted assets:				
State of Florida loan payable	1,185,000	-	-	1,185,000
DERM payable	3,392,484	-	-	3,392,484
Due to other funds	3,016,071	-	-	3,016,071
Customer deposits	5,846,667	-	-	5,846,667
Accrued interest	32,587	-	-	32,587
Total current liabilities payable from restricted assets	<u>13,472,809</u>	<u>-</u>	<u>-</u>	<u>13,472,809</u>
Total current liabilities	<u>23,572,501</u>	<u>4,391,954</u>	<u>201,691</u>	<u>28,166,146</u>
Non-current liabilities:				
Miami-Dade County water purchase agreement	176,416	-	-	176,416
Revolving loan	2,158,254			2,158,254
Deferred revenues, net	19,829	-	-	19,829
Deferred interest, net	1,820,009	-	-	1,820,009
Self-insurance claims payable	3,208,728	3,030,443	-	6,239,171
Compensated absences payable	808,744	954,027	47,870	1,810,641
Total non-current liabilities	<u>8,191,980</u>	<u>3,984,470</u>	<u>47,870</u>	<u>12,224,320</u>
Total liabilities	<u>31,764,481</u>	<u>8,376,424</u>	<u>249,561</u>	<u>40,390,466</u>
Net assets:				
Invested in capital assets, net of related debt	74,620,572	4,263,163	272,565	79,156,300
Restricted for:				
Asset renewal and replacement	18,971,050	-	-	18,971,050
Debt service	2,475,036	-	-	2,475,036
Unrestricted	31,485,620	(5,442,105)	435,713	26,479,228
Total net assets	<u>\$ 127,552,278</u>	<u>\$ (1,178,942)</u>	<u>\$ 708,278</u>	<u>\$ 127,081,614</u>

See notes to basic financial statements.

CITY OF HIALEAH, FLORIDA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS PROPRIETARY FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2007

	Water and Sewers Utility System	Solid Waste Utility System	Nonmajor Fund- Hialeah Circulator	Total
Operating revenues:				
Metered water sales	\$ 14,504,373	\$ -	\$ -	\$ 14,504,373
Sanitary sewer service	25,465,066	-	-	25,465,066
Sanitation fees	-	12,818,470	-	12,818,470
State and local shared revenues	-	-	1,557,818	1,557,818
Other	866,921	34,769	389,875	1,291,565
Total operating revenues	<u>40,836,360</u>	<u>12,853,239</u>	<u>1,947,693</u>	<u>55,637,292</u>
Operating expenses:				
Operating, administrative and maintenance	32,708,709	13,836,913	1,876,030	48,421,652
Depreciation	3,045,757	878,716	25,659	3,950,132
Total operating expenses	<u>35,754,466</u>	<u>14,715,629</u>	<u>1,901,689</u>	<u>52,371,784</u>
Operating income (loss)	<u>5,081,894</u>	<u>(1,862,390)</u>	<u>46,004</u>	<u>3,265,508</u>
Non-operating revenues (expenses):				
Interest income	3,361,773	-	-	3,361,773
Interest expense	(104,694)	-	-	(104,694)
Net non-operating revenues	<u>3,257,079</u>	<u>-</u>	<u>-</u>	<u>3,257,079</u>
Income (loss) before contributions	8,338,973	(1,862,390)	46,004	6,522,587
Capital contributions	<u>3,557,718</u>	<u>-</u>	<u>-</u>	<u>3,557,718</u>
Change in net assets	11,896,691	(1,862,390)	46,004	10,080,305
Net assets - beginning	<u>115,655,587</u>	<u>683,448</u>	<u>662,274</u>	<u>117,001,309</u>
Net assets, ending	<u>\$ 127,552,278</u>	<u>\$ (1,178,942)</u>	<u>\$ 708,278</u>	<u>\$ 127,081,614</u>

See notes to basic financial statements.

CITY OF HIALEAH, FLORIDA

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2007

	Water and Sewers Utility System	Solid Waste Utility System	Nonmajor Fund- Hialeah Circulator	Totals
Cash flows from operating activities:				
Cash received from customers	\$ 39,992,460	\$ 12,853,239	\$ 389,875	\$ 53,235,574
Cash received from others	3,424,639	-	-	3,424,639
Cash received from governmental agencies	1,000,000	-	1,582,431	2,582,431
Cash payments to suppliers	(25,284,228)	(6,641,209)	(1,361,370)	(33,286,807)
Cash payments to employees	(7,071,051)	(6,012,792)	(348,698)	(13,432,541)
Net cash provided by operating activities	<u>12,061,820</u>	<u>199,238</u>	<u>262,238</u>	<u>12,523,296</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(6,375,679)	(199,388)	(262,238)	(6,837,305)
Interest paid	(220,724)	-	-	(220,724)
Capital contributions	3,557,718	-	-	3,557,718
Proceeds from long-term debt	-	-	-	-
Payments on long-term debt	(609,648)	-	-	(609,648)
Net cash used in capital and related financing activities	<u>(3,648,333)</u>	<u>(199,388)</u>	<u>(262,238)</u>	<u>(4,109,959)</u>
Cash flows from investing activities:				
Interest received on investments	<u>3,361,773</u>	<u>-</u>	<u>-</u>	<u>3,361,773</u>
Net cash provided by investing activities	<u>3,361,773</u>	<u>-</u>	<u>-</u>	<u>3,361,773</u>
Net increase in cash and cash equivalents	11,775,260	(150)	-	11,775,110
Cash and cash equivalents, beginning	<u>58,186,990</u>	<u>150</u>	<u>-</u>	<u>58,187,140</u>
Cash and cash equivalents, ending	<u>\$ 69,962,250</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 69,962,250</u>
Cash and cash equivalents per statement of net assets:				
Unrestricted	\$ 38,061,526	\$ -	\$ -	\$ 38,061,526
Restricted - current	12,929,674	-	-	12,929,674
Restricted - non-current	18,971,050	-	-	18,971,050
	<u>\$ 69,962,250</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 69,962,250</u>

(Continued)

See notes to basic financial statements.

CITY OF HIALEAH, FLORIDA

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS (Continued)

FISCAL YEAR ENDED SEPTEMBER 30, 2007

	Water and Sewers Utility System	Solid Waste Utility System	Nonmajor Fund- Hialeah Circulator	Totals
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ 5,081,894	\$ (1,862,390)	\$ 46,004	\$ 3,265,508
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	3,045,757	878,716	25,659	3,950,132
Amortization of deferred revenues	(39,656)	-	-	(39,656)
Changes in operating assets and liabilities:				
(Increase) decrease in:				
Accounts receivable	(9,255)	-	-	(9,255)
Other receivables	32,276	-	24,613	56,889
Due from other funds	(39,604)	(85,339)	368,195	243,252
Inventories	69,020	-	-	69,020
Increase (decrease) in:				
Vouchers payable and accrued liabilities	2,248,357	(867,547)	(250,103)	1,130,707
Self insurance claims payable	(24,869)	(26,295)	-	(51,164)
Compensated absences payable	(10,637)	(112,210)	47,870	(74,977)
Other liabilities	-	-	-	-
Due to other funds	1,053,496	2,274,303	-	3,327,799
Customer deposits	655,041	-	-	655,041
Total adjustments	6,979,926	2,061,628	216,234	9,257,788
Net cash provided by operating activities	\$ 12,061,820	\$ 199,238	\$ 262,238	\$ 12,523,296

See notes to basic financial statements.

CITY OF HIALEAH, FLORIDA

STATEMENT OF FIDUCIARY NET ASSETS

FIDUCIARY FUNDS

SEPTEMBER 30, 2007

		Pension Trust
<u>ASSETS</u>		
Cash and cash equivalents	\$	23,355,200
Securities lending cash collateral		106,999,940
Investments, at fair value:		
U.S. Treasury bonds and notes		28,983,683
U.S. Government securities		61,256,454
Asset backed securities		10,851,837
Mortgage backed securities		104,690,518
Corporate bonds and notes		59,498,093
Common stocks		284,192,749
Receivables:		
Due from other funds		213,569
Employer and employee contributions		437,819
Accrued interest and dividends		2,558,809
Fraud recovery		345,694
Investments sold		1,821,749
Loans to members		8,002,619
Total assets		<u>693,208,733</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Obligations under securities lending		106,999,940
Due to retired participants		38,171,562
Investments purchased		2,975,495
Accounts payable and accrued liabilities		793,743
DROP payable		52,824
Total liabilities		<u>148,993,564</u>
Net assets held in trust for pension benefits	\$	<u>544,215,169</u>

See notes to basic financial statements.

CITY OF HIALEAH, FLORIDA

FIDUCIARY FUNDS STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS FISCAL YEAR ENDED SEPTEMBER 30, 2007

	Pension <u>Trust</u>
ADDITIONS	
Contributions:	
Employer	\$ 14,599,287
Employee	5,931,989
State	<u>461,875</u>
Total contributions	<u>20,993,151</u>
Investment income:	
Net appreciation in fair value of investments	20,684,001
Investment earnings	<u>39,133,593</u>
	59,817,594
Less investment expenses	<u>1,055,735</u>
Net investment income	<u>58,761,859</u>
Total additions	<u>79,755,010</u>
DEDUCTIONS	
Pension benefits	31,801,811
Refunds of contributions	10,462,853
DROP payments	<u>52,824</u>
Total deductions	<u>42,317,488</u>
Net increase	37,437,522
Net assets held in trust for pension benefits:	
Beginning (restated) NOTE 15.	<u>506,777,647</u>
Ending	<u>\$ 544,215,169</u>

See notes to basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2007

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Hialeah, Florida (the City) was incorporated in 1925. The City operates under a strong mayor form of government with the legislative function being vested in a seven-member council. The City provides the following services as authorized by its charter: public safety (police and fire), streets, water and wastewater, sanitation, social services, culture-recreation, public improvements, planning and zoning and general administrative services. The basic financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental and financial reporting principles. The more significant of the City's accounting policies are described below.

a. The Financial Reporting Entity

The financial statements were prepared in accordance with Government Accounting Standards, which establishes standards for defining and reporting on the financial reporting entity. The definition of the financial reporting entity is based upon the concept that elected officials are accountable to their constituents for their actions. One of the objectives of financial reporting is to provide users of financial statements with a basis for assessing the accountability of the elected officials. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The City is financially accountable for a component unit if it appoints a voting majority of the organization's governing board and it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the City. Based upon the application of these criteria, there were no organizations that met the criteria described above.

Related Organization

The City Council is also responsible for appointing the members of the Board of the Hialeah Housing Authority, but the City's accountability for this organization does not extend beyond making the appointments. In fiscal year 2007, the City appropriated an operating grant of approximately \$135,000 to this organization, of which \$135,000 was expended.

b. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b. Government-Wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

c. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the *economic resources measurement* focus and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

The *Charter School Fund* is a capital projects fund which is used to account for expenditures incurred for building a charter school.

The City reports the following major proprietary funds:

The *Water and Sewers Utility System Fund* accounts for the activities of the Water and Sewers Department. The Department operates the sewage treatment plan, sewage pumping stations and collection systems, and the water distribution system.

The *Solid Waste Utility System Fund* accounts for providing solid waste services to customers of the City.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The City has the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's water and sewers fund and the solid waste fund are charges to customers for services. Operating expenses for enterprise funds include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Assets, Liabilities and Net Assets or Equity

1. *Deposits and Investments*

The City's cash and cash equivalents, for the purpose of the statement of cash flows, are considered to be cash on hand, demand deposits, certificates of deposit and short term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the City to invest in obligations of the U.S. Government, certificates of deposit, commercial paper, corporate bonds, repurchase agreements and the State Treasurer's Investment Pool.

The City's Retirement Plans are authorized by its governing board to invest in obligations of the U.S. Government, common stocks, corporate bonds and other investment types allowed by Florida Statutes.

Investments are reported at fair value.

2. *Interfund Activity*

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred as either "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

3. *Inventories*

Inventories of the general fund are valued at cost determined on the first-in/first-out (FIFO) method, and consist of gasoline and expendable supplies available for consumption. Inventory acquired by the City is expensed when purchased (purchase method). Inventories are recorded on the balance sheet with a reservation of fund balance. Inventories of the water and sewers fund are valued at lower of cost (determined using the weighted average) or market and consist of pipe, valves, fittings and meters.

CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Assets, Liabilities and Net Assets or Equity (Continued)

4. Capital Assets

Capital assets, which include property, plant and equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, bike paths and similar items) are reported in the applicable government or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$2,500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Capital assets of the City are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40-50
Improvements other than buildings	15-25
Furniture, fixtures, machinery and equipment	5-15
Public domain and system infrastructure	50

5. Compensated Absences

City employees are granted vacation and sick leave in varying amounts based on length of service and the department, which the employee services.

The City's vacation and sick leave policy is to permit employees to accumulate earned but unused sick pay benefits. Such leave is accrued and reported as a fund liability when it is probable that the City will compensate the employee with expendable available financial resources. Vacation and sick leave is accrued when incurred in proprietary funds and reported as a fund liability. All vacation pay is accrued when incurred in the government-wide, proprietary and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Assets, Liabilities and Net Assets or Equity (Continued)

6. *Deferred Revenues*

Revenues collected in advance are deferred and recognized as revenue in the period earned.

7. *Long-Term Obligations*

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. *Fund Equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. Unreserved undesignated fund balance is the portion of fund equity available for any lawful use.

9. *Capital Contributions*

Capital contributions in proprietary fund financial statements arise from grants or outside contributions of resources restricted to capital acquisition and construction.

10. *Use of Estimates*

The financial statements and related disclosures are prepared in conformity with accounting principles generally accepted in the United States. Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and revenue and expenses during the period reported. These estimates include assessing the collectibility of accounts receivable, the use and recoverability of inventory, pension and postretirement obligations and useful lives and impairment of tangible assets, the determination of the actuarially accrued liability for unpaid claims,

CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Assets, Liabilities and Net Assets or Equity (Continued)

10. Use of Estimates (Continued)

which is prepared based upon certain assumptions pertaining to interest rates, inflation rates, etc., among others. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the financial statement in the period they are determined to be necessary. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

NOTE 2. PROPERTY TAXES

Property taxes (ad valorem taxes) are assessed on January 1 and are billed and payable November 1, with discounts of one to four percent if paid prior to March 1 of the following calendar year. All unpaid taxes on real and personal property become delinquent on April 1 and accrue interest charges from April 1 until a tax sale certificate is sold at auction.

Assessed values are established by the Miami-Dade County Property Appraiser at approximately fair market value. The assessed value of property at January 1, 2007, upon which the 2006-2007 levy was based, was approximately \$9.54 billion. The County bills and collects all property taxes for the City.

Under Florida law, the assessment of all properties and the collection of all county, municipal, school district and special district property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector. The City is permitted by Article 7, Section 8 of the Florida Constitution to levy taxes up to \$10 (10 mills) per \$1,000 of assessed valuation for general governmental services (other than the payment of principal and interest on general obligation long-term debt). In addition, unlimited amounts may be levied for the payment of principal and interest on general obligation long-term debt, subject to a limitation on the amount of debt outstanding. The millage rate to finance general governmental services for the year ended September 30, 2007 was 6.800 mills per \$1,000 of assessed valuation.

NOTE 3. CASH AND INVESTMENTS

Cash

In addition to insurance provided by the Federal Deposit Insurance Corporation, all deposits are held in banking institutions approved by the State Treasurer of the State of Florida to hold public funds. Under Florida Statutes Chapter 280, *Florida Security for Public Deposits Act*, the State Treasurer requires all Florida qualified public depositories to deposit with the Treasurer or another banking institution eligible collateral. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses. Accordingly, all amounts reported as deposits are deemed as insured or collateralized with securities held by the entity or its agent in the entity's name.

CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 3. CASH AND INVESTMENTS (Continued)

Investments

As required by Florida Statutes, the City has adopted a written investment policy, which may, from time to time, be amended by the City. City administration is authorized to invest in those instruments authorized by the Florida statutes and the City's By Laws. Investments consist of the Florida Municipal Investment Trust administered by the Florida League of Cities, Inc., and investments held by the City's retirement funds. The investments held in the Retirement Plans may be invested in obligations of the U.S. Government or its agencies, first mortgages or first mortgage bonds, corporate bonds, and common and preferred stock. Investments are carried at fair value as determined by quoted market prices.

Interest Rate Risk

Interest rate risk exists when there is possibility that changes in interest rates could adversely affect an investment's fair value. In accordance with its investment policy, the City places no limit on the amount that may be invested in securities of the U.S. Government or its agencies. Interest rate risk disclosures are required for all debt investment as well as investments in mutual funds, external investment pools, and other pooled investments that do not meet the definition of a 2a7-like pool.

	Fair	Investment Maturities (In Years)			
	Value	Less Than 1	1 to 5	6 to 10	More Than 10
<u>City of Hialeah Employees' Retirement System's</u>					
U.S. Treasuries	\$ 45,891,553	\$ 21,640,350	\$ 11,507,617	\$ 12,743,586	\$ -
U.S. Agencies/Instrumentalities	57,701,680	6,490,419	23,306,370	15,481,942	12,422,949
Corporate Bonds	59,498,093	-	24,934,999	12,142,608	22,420,486
Mortgage Backed Securities	104,690,518	132,086	47,515	3,238,616	101,272,301
Asset Backed Securities	<u>10,851,837</u>	<u>334,608</u>	<u>10,517,229</u>	<u>-</u>	<u>-</u>
Sub-total	<u>278,633,681</u>	<u>28,597,463</u>	<u>70,313,730</u>	<u>43,606,752</u>	<u>136,115,736</u>
Common stocks	<u>284,192,749</u>				
Sub-total	<u>562,826,430</u>	<u>28,597,463</u>	<u>70,313,730</u>	<u>43,606,752</u>	<u>136,115,736</u>
<u>Elected Officials Retirement Plan</u>					
FMIT-bond mutual funds	<u>2,912,201</u>	<u>-</u>	<u>2,912,201</u>	<u>-</u>	<u>-</u>
FMIT-equity funds	<u>642,574</u>				
Sub-total	<u>3,554,775</u>	<u>-</u>	<u>2,912,201</u>	<u>-</u>	<u>-</u>
<u>Primary Government</u>					
Certificate of Deposits	575,000	-	575,000	-	-
Money Market Funds	625,088	625,088	-	-	-
FMIT-Money Market Funds	1,727,259	1,727,259	-	-	-
FMIT-bond mutual funds	<u>33,905,647</u>	<u>-</u>	<u>33,905,647</u>	<u>-</u>	<u>-</u>
Sub-total	<u>36,832,994</u>	<u>2,352,347</u>	<u>34,480,647</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 603,214,199</u>	<u>\$ 30,949,810</u>	<u>\$ 107,706,578</u>	<u>\$ 43,606,752</u>	<u>\$ 136,115,736</u>

CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 3. CASH AND INVESTMENTS (Continued)

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. The City has an investment policy that limits investments to the highest ratings by nationally recognized statistical rating organizations (NRSPO) – (Standard and Poor's, Moody's Investors Services and Fitch Ratings). Excess funds are also invested daily with the Florida Municipal Investment Trust (FMIvT).

As of September 30, 2007, the City's investments consisted of the following:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>
<u>City of Hialeah Employees' Retirement System's</u>		
U.S. Treasuries	\$28,983,683	AAA
U.S. Agencies/Instrumentalities	51,064,088	AAA
Short-term U.S. Government Securities	23,545,462	Not Rated
Mortgage Backed Securities	98,922,311	AAA
Mortgage Backed Securities	1,238,293	A2
Mortgage Backed Securities	4,529,914	Not Rated
Asset Backed Securities	9,750,805	AAA
Asset Backed Securities	1,101,032	Not Rated
Corporate Bonds	10,917,928	A1
Corporate Bonds	9,719,928	A2
Corporate Bonds	4,665,344	A3
Corporate Bonds	7,135,723	AA1
Corporate Bonds	3,674,854	AA2
Corporate Bonds	12,960,231	AA3
Corporate Bonds	2,491,727	AAA
Corporate Bonds	3,726,364	BAA1
Corporate Bonds	3,673,249	BAA2
Corporate Bonds	<u>532,745</u>	BAA3
Sub-total	<u>278,633,681</u>	
<u>Elected Officials Retirement Plan</u>		
Florida Municipal Investment Trust:		
Intermediate High Quality Bond Fund	2,117,295	AAA/V3
Broad Market High Quality Bond Fund	<u>794,906</u>	AA/V4
Sub-total	<u>2,912,201</u>	
<u>Primary Government</u>		
Florida Municipal Investment Trust:		
1-3 Year High Quality Bond	<u>33,905,647</u>	AAA/V2
Total	<u>\$315,451,529</u>	

CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 3. CASH AND INVESTMENTS (Continued)

Concentration Credit Risk

GASB Statement 40 requires disclosure of investments in any one issuer that represents 5% or more of the total of the City's investments. Conversely, investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds or pools are excluded from the concentration of credit risk disclosure requirement. At September 30, 2007, no underlying security by any one issuer was above the 5% threshold required for disclosure.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Consistent with the City of Hialeah Employees' Retirement System's (the Plan) securities lending policy, \$113,366,690 was held by the counterparty that was acting as the Plan's agent in securities lending transactions.

Securities Lending Transactions

State statutes do not prohibit the City of Hialeah Employees' Retirement System (the Plan) from participating in securities lending transactions, and the Plan has, pursuant to a Securities Lending Authorization Agreement, authorized State Street Bank and Trust Company ("State Street") to act as agent in lending the Plan's securities to broker-dealers and banks pursuant to a form of loan agreement.

During the September 30, 2007 fiscal year, State Street lent, on behalf of the Plan, certain securities held by State Street as custodian, and received cash (U.S. currency), securities issued or guaranteed by the United States government and its agencies, and irrevocable bank letters of credit as collateral. State Street did not have the ability to pledge or sell collateral securities absent a borrower default. Borrowers were required to deliver collateral for each loan equal to not less than one hundred and two percent (102%) of the market value of the loaned security.

The Plan did not impose any restrictions during the September 30, 2007 fiscal year on the amount of the loans that State Street made on its behalf, and State Street indemnified the Plan by agreeing to purchase replacement securities or return the cash collateral in the event that any borrower failed to return a loaned security or pay distributions thereon. There were no failures by any borrowers to return loaned securities or pay distributions thereon during the September 30, 2007 fiscal year. Moreover, there were no losses during the 2007 fiscal year resulting from a default of the borrowers or State Street.

During the September 30, 2007 fiscal year, the Plan and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested, together with the cash collateral of other qualified tax-exempt plan lenders, in a commingled investment pool. As of September 30, 2007, such investment pool had a weighted average maturity of 55 days and an average expected maturity of 514 days. Because the loans were terminable at will, their duration did not generally match the duration of the investments made with cash collateral. On September 30, 2007, the Plan had no credit risk exposure to borrowers.

CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 3. CASH AND INVESTMENTS (Continued)

Securities Lending Transactions (Continued)

GASB Statement No. 28, Accounting and Financial Reporting for Securities Lending Transactions, establishes accounting and financial reporting standards for securities lending transactions. The standard requires governmental entities to report securities lent as assets in their balance sheets unless the entity did not have the ability to pledge or sell collateral securities absent a borrower default as the case with the Plan. Cash received as collateral and investments made with that cash must also be reported as assets. The statement also requires the costs of the securities lending transactions to be reported as expenses separately from income received. In addition, the statement requires disclosures about the transactions and collateral related to them.

The market values of collateral held and securities on loan for the Plan as of September 30, 2007, were \$113,366,690, and \$110,333,805, respectively. Of the \$113,366,690 held as collateral, \$106,999,940 was cash collateral and has been reported in the statement of net assets as an asset of the Plan along with the liability of \$106,999,940 for obligations under security lending.

NOTE 4. RECEIVABLES

Receivables as of September 30, 2007 for the City's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Water & Sewers</u>	<u>Nonmajor Circulator</u>	<u>Nonmajor Special Revenue</u>	<u>Total</u>
Receivables:					
Billed	\$ -	\$ 4,807,084	\$ -	\$ 1,787,723	\$ 6,594,807
Unbilled	-	3,264,354	-	-	3,264,354
Franchise and utility	4,936,593	-	-	-	4,936,593
Intergovernmental	1,984,183	-	399,372	499,824	2,883,379
Grants	854,673	-	-	13,603,896	14,458,569
Other	196,639	1,111,514	-	-	1,308,153
Sales taxes	<u>2,256,335</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,256,335</u>
Gross receivables	10,228,423	9,182,952	399,372	15,891,443	35,702,190
Less allowance for uncollectibles	<u>-</u>	<u>400,000</u>	<u>-</u>	<u>1,451,252</u>	<u>1,851,252</u>
Net total receivables	<u>\$10,228,423</u>	<u>\$ 8,782,952</u>	<u>\$ 399,372</u>	<u>\$14,440,191</u>	<u>\$33,850,938</u>

Governmental funds defer revenue recognition in connection with resources that have been received, but not yet earned.

CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 4. RECEIVABLES (Continued)

Revenues of the Water & Sewer, Fire Prevention and Rescue Transportation fund are reported net of uncollectible amounts. Total amount charged to the provision related to revenues of the current period are as follows:

Uncollectibles related to water & sewer fees	\$400,000
Uncollectibles related to fire rescue fees	180,259
Uncollectibles related to fire rescue transport fees	<u>1,270,993</u>
Total uncollectibles for the current fiscal year	<u>\$1,851,252</u>

At the end of the current fiscal year, *deferred or unearned revenue* reported in the governmental funds was as follows:

Occupational licenses	\$ 1,650,680
Charter School	3,000,000
Grants and other deferred revenues	1,795,552
Hayes program	482,737
Community Development Block Grant (CDBG)	2,385,042
State Housing Initiative Program (SHIP)	<u>1,954,280</u>
	<u>\$11,268,291</u>

NOTE 5. MORTGAGE RECEIVABLE

The Hialeah Housing Authority ("the Authority") assumed a Housing Development Grant ("HODAG Loan") awarded on July 12, 1989 to a developer through the City in the amount of \$2,843,097 receivable from Hialeah Housing. The HODAG bears interest at 10.125% and is payable in full, including interest, on May 1, 2025 unless the Project is sold or transferred, or due to a violation of the grant covenants with HUD. Interest does not accrue unless the Project's revenues exceed the sum of the Project's net operating income (after payment of debt service in the Palm Centre Bonds) plus a cumulative return to the Authority of twelve percent (12%) per annum on the Authority's equity contribution. The HODAG loan is secured by a Second Mortgage issued to the City and is subordinated to Hialeah Housing Authority Bonds.

The future minimum receivable and net present value of these minimum payments as of September 30, 2007 were:

Long-term receivable	\$3,578,872
Less present value	<u>(2,013,702)</u>
Present value of future receivable payments	<u>\$1,565,170</u>

The City has recorded the mortgage term receivable in its governmental-wide financial statements as of September 30, 2007. No allowance against this long-term receivable is deemed necessary at September 30, 2007.

CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 5. MORTGAGE RECEIVABLE (Continued)

In connection with the construction of the Hialeah Housing Project mentioned above, the United States Department of Housing and Urban Development ("HUD") has challenged the manner in which certain of the proceeds of the HODAG Loan were used. HUD has claimed that \$989,039 of the HODAG Loan was expended for nonqualified purposes (the "Claim"). The City has challenged the Claim. The Authority has agreed that the City will not be responsible for payment of any such challenged cost in the event it is required to fully indemnify the City for any payments to HUD regarding the claim. In a subordination agreement, the Authority and the City have agreed that, in the event that litigation is instituted by HUD regarding payment of the Claim, the City will fully cooperate with the Authority to resolve the litigation, and that the City will not foreclose on the Second Mortgage in the event the Claim is not paid on demand.

NOTE 6. DUE FROM/TO OTHER FUNDS

The amounts due from/to other funds at September 30, 2007 were as follows:

	<u>Receivables</u>	<u>Payables</u>
Major Governmental Funds		
General Fund	\$22,961,475	\$16,905,951
Charter School	<u>3,000,000</u>	<u>-</u>
Total Major Governmental Funds	<u>25,961,475</u>	<u>16,905,951</u>
Nonmajor Governmental Funds	<u>12,829,229</u>	<u>15,488,041</u>
Major Proprietary Type Funds		
Water and Sewer	311,208	6,321,520
Solid Waste	<u>2,934,319</u>	<u>3,820,190</u>
Total Major Proprietary Type Funds	<u>3,245,527</u>	<u>10,141,710</u>
Non-major Proprietary Type Funds		
Hialeah Circulator	<u>285,902</u>	<u>-</u>
Fiduciary Funds		
Elected Official Retirement System	<u>213,569</u>	<u>-</u>
	<u>\$42,535,702</u>	<u>\$42,535,702</u>

As of September 30, 2007, major fund and nonmajor fund activity was as follows:

	<u>Transfer in</u>	<u>Transfer out</u>
Major Governmental Funds		
General Fund	\$ -	\$ 4,456,026
Total Major Governmental Funds	<u>-</u>	<u>4,456,026</u>
Nonmajor Governmental Funds	<u>6,475,276</u>	<u>2,019,250</u>
	<u>\$ 6,475,276</u>	<u>\$ 6,475,276</u>

CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 6. DUE FROM/TO OTHER FUNDS (Continued)

The general fund transfers to the nonmajor governmental funds were made to provide additional resources for current operations, and the transfers from the nonmajor governmental funds to other nonmajor funds were made to provide additional resources for current operations.

NOTE 7. RESTRICTED ASSETS

Restricted assets consist of the following assets restricted for debt service and customer deposits at September 30, 2007:

General Fund

Advance from the State of Florida- Charter School Fund	<u>\$ 3,000,000</u>
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Water and Sewers Fund

Customers' deposit - cash and investments	\$ 5,846,667
---	--------------

Restricted for Miami-Dade County Department of Environmental Resource Management - DERM Fee	3,392,484
--	-----------

Debt service - State of Florida loan - cash and investments with fiscal agent	<u>3,690,523</u>
	12,929,674

Renewal and replacement - State of Florida loan - cash and investments with fiscal agent	<u>18,971,050</u>
--	-------------------

Total restricted cash water and sewers fund	<u>31,900,724</u>
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Other restricted assets

Customer accounts - Solid Waste Fund	2,034,208
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Customer accounts - Stormwater Fund	613,865
-------------------------------------	---------

Customer accounts - City Utility Tax	367,998
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Security and group insurance liability deposits	<u>2,100</u>
---	--------------

Total other restricted assets water and sewers fund	<u>3,018,171</u>
---	------------------

Total restricted assets water and sewers fund	<u>34,918,895</u>
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Non-Major Governmental Funds

Rescue transportation fees- restricted for public safety	3,305,394
--	-----------

Fire prevention fees- restricted for public safety	990,081
--	---------

Forfeiture funds- restricted for public safety	565,857
--	---------

Debt service fund- restricted for debt service	635,317
--	---------

300 Unit Development Fund- loan proceeds restricted for construction	4,945,310
--	-----------

Capital Improvement Fund- restricted for capital projects	<u>2,535,917</u>
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Total non-major governmental funds restricted assets	<u>12,977,876</u>
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Total restricted assets	<u>\$ 50,896,771</u>
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CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 8. CAPITAL ASSETS

A summary of the City's capital assets at September 30, 2007 is as follows:

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	Ending <u>Balance</u>
<u>Governmental activities</u>				
Capital assets not being depreciated:				
Land	\$ 27,416,571	\$ 1,458,364	\$ -	\$ 28,874,935
Construction-in-progress	<u>22,840,398</u>	<u>31,979,258</u>	<u>(19,180,975)</u>	<u>35,638,681</u>
Total capital assets not being depreciated	<u>50,256,969</u>	<u>33,437,622</u>	<u>(19,180,975)</u>	<u>64,513,616</u>
Capital assets being depreciated:				
Buildings	58,479,582	1,080,830	-	59,560,412
Improvements other than buildings	21,076,671	1,297,494	-	22,374,165
Furniture, fixtures, machinery and equipment	35,124,393	4,122,225	(605,696)	38,640,922
Infrastructure	<u>274,197,019</u>	<u>18,590,610</u>	<u>-</u>	<u>292,787,629</u>
Total capital assets being depreciated	<u>388,877,665</u>	<u>25,091,159</u>	<u>(605,696)</u>	<u>413,363,128</u>
Less accumulated depreciation for:				
Buildings	14,069,151	1,223,433	-	15,292,584
Improvements other than buildings	8,894,249	968,161	-	9,862,410
Furniture, fixtures, machinery and equipment	20,643,085	2,861,426	(563,807)	22,940,704
Infrastructure	<u>122,397,327</u>	<u>8,098,087</u>	<u>-</u>	<u>130,495,414</u>
Total accumulated depreciation	<u>166,003,812</u>	<u>13,151,107</u>	<u>(563,807)</u>	<u>178,591,112</u>
Total capital assets being depreciated, net	<u>222,873,853</u>	<u>11,940,052</u>	<u>(41,889)</u>	<u>234,772,016</u>
Governmental activities capital assets, net	<u>\$ 273,130,822</u>	<u>\$ 45,377,674</u>	<u>\$ (19,222,864)</u>	<u>\$ 299,285,632</u>

During 2007, the City transferred approximately \$19,180,975 of completed projects to buildings, improvements and infrastructure. Also, the City received a donation of land valued at \$1,458,364.

CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 8. CAPITAL ASSETS (Continued)

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	Ending <u>Balance</u>
<u>Business-type activities</u>				
Capital assets not being depreciated:				
Land	\$ 329,356	\$ -	\$ -	\$ 329,356
Construction-in-progress	<u>220,426</u>	<u>22,357</u>	<u>(37,205)</u>	<u>205,578</u>
Total capital assets not being depreciated	<u>549,782</u>	<u>22,357</u>	<u>(37,205)</u>	<u>534,934</u>
Capital assets being depreciated:				
Buildings and utility plant	3,490,579	25,401	-	3,515,980
Improvements to other than building	320,533	-	-	320,533
Machinery and equipment	16,805,256	647,838	(25,807)	17,427,287
Infrastructure	<u>130,044,526</u>	<u>6,178,863</u>	<u>(72,200)</u>	<u>136,151,189</u>
Total capital assets being depreciated	<u>150,660,894</u>	<u>6,852,102</u>	<u>(98,007)</u>	<u>157,414,989</u>
Less accumulated depreciation for:				
Buildings and utility plant	1,883,033	81,842	-	1,964,875
Improvements other than building	117,080	30,166	-	147,246
Machinery and equipment	11,411,228	1,168,928	(25,807)	12,554,349
Infrastructure	<u>59,371,954</u>	<u>2,669,196</u>	<u>(72,251)</u>	<u>61,968,899</u>
Total accumulated depreciation	<u>72,783,295</u>	<u>3,950,132</u>	<u>(98,058)</u>	<u>76,635,369</u>
Total capital assets being depreciated, net	<u>77,877,599</u>	<u>2,901,970</u>	<u>51</u>	<u>80,779,620</u>
Business-type activities capital assets, net	<u>\$ 78,427,381</u>	<u>\$ 2,924,327</u>	<u>\$ (37,154)</u>	<u>\$ 81,314,554</u>

Construction Commitments

The City has the following active construction projects as of September 30, 2007:

	<u>Spent to Date</u>	<u>Remaining Committed</u>
Police Training Building	\$ -	\$ 145,454
West E-Library	106,367	127,363
Street Construction	5,189,929	6,144,766
Parks	192,801	583,473
300 Unit	317,739	486,795
CityWide Telephone System	103,260	478,740
Annexation Area	1,639,081	1,243,790
Water & Sewer Lines	<u>1,360,114</u>	<u>1,178,906</u>
	<u>\$ 8,909,291</u>	<u>\$10,389,287</u>

CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 8. CAPITAL ASSETS (Continued)

Depreciation expense was charged to functions/programs of the City as follows:

Governmental activities:

General government	\$ 1,323,291
Police	1,096,166
Fire	1,147,952
Streets	6,984,663
Recreation	<u>2,599,034</u>
Total depreciation expense - governmental activities	<u>\$13,151,106</u>

Business-type activities:

Water and sewer	\$ 3,045,757
Solid waste	878,716
Hialeah Circulator	<u>25,659</u>
Total depreciation expense - business-type activities	<u>\$ 3,950,132</u>

NOTE 9. CAPITAL LEASES

The City has entered into a lease agreement as lessee for the retrofit installation of energy efficiency equipment in City buildings. Payment on the lease is due quarterly through 2010. The lease agreement qualifies as capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date in the fixed assets section and the related liability in the governmental-wide financial statements.

Capital assets acquired through the issuance of capital leases are as follows:

	Governmental Activities
Buildings	\$875,500
Less accumulated depreciation	<u>(645,681)</u>
	<u>\$229,819</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2007 were:

<u>Year ending September 30:</u>	
2008	\$79,625
2009	79,625
2010	<u>39,812</u>
Total minimum lease payments	199,062
Less amount representing interest	<u>(14,015)</u>
Present value of minimum lease payments	<u>\$185,047</u>

CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 10. LONG-TERM DEBT

Revenue Bonds

The City issues bonds where the City pledges revenues derived from the acquired or constructed assets to pay the debt service. Revenue bonds outstanding at year end are as follows:

1993 Revenue Bonds - In November 1993, the City issued \$4,400,000 Capital Improvement Revenue Bonds, Series 1993 (the "Series 1993 Bonds"). Proceeds from the Series 1993 Bonds were used to finance construction of a new fire administration building, fund the debt service account and pay certain issuance costs. The Series 1993 bonds mature October 2018 and bear interest ranging from 3.1% to 5.5%. The Series 1993 Bonds are secured by a lien upon revenues derived by rescue transport service fees. The City will budget non-ad valorem revenues if such revenue is not adequate to pay debt service costs. At September 30, 2007, \$2,610,000 remained outstanding.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Revenue Bonds - 1993:			
2008	\$180,000	\$143,550	\$323,550
2009	190,000	133,650	323,650
2010	200,000	123,200	323,200
2011	210,000	112,200	322,200
2012	220,000	100,650	320,650
2013-2017	1,305,000	306,900	1,611,900
2018	<u>305,000</u>	<u>16,775</u>	<u>321,775</u>
	<u>\$ 2,610,000</u>	<u>\$ 936,925</u>	<u>\$ 3,546,925</u>

State of Florida

In fiscal year 1977, the Water and Sewers Fund borrowed \$43,490,000 from the State of Florida toward the construction of the East Side Sewer System. The loan, which bears interest at rates ranging from 5.4% to 5.6%, is payable in varying annual installments of principal and interest through 2008. The loan is collateralized by a secondary lien on net revenues of the water and sewer system after the funding requirements of the 1968 revenue bonds have been met.

Construction of the East Side Sewer System was completed during 1980. Interest on the loan from the State of Florida, amounting to approximately \$5,602,000, has been capitalized and included in construction costs and will be expensed over the estimated useful life of the system (50 years).

CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 10. LONG-TERM DEBT (Continued)

State of Florida (Continued)

The loan agreement provides that the State will deposit the loan proceeds in a restricted, interest-bearing investment account to be used by the Water and Sewers Fund as debt service reserves and for future construction requirements. In addition, the Department of Water and Sewers is required to make periodic escrow payments for debt service. As of September 30, 2007, \$3,690,523 is restricted for debt service payments and reserves. Interest earned on the construction funds during the time the East Side Sewer was being built, which is credited to the Water and Sewers Fund, has been deferred and is being amortized to income over the same period that the related capitalized interest is being expensed (50 years). At September 30, 2007, the unamortized deferred interest balance was \$1,820,009.

Annual debt service requirements to maturity for the loan from the State of Florida are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>Fiscal Year ending September 30:</u>			
2008	<u>\$1,185,000</u>	<u>\$65,175</u>	<u>\$1,250,175</u>

Notes Payable

Notes payable recorded in the governmental entity-wide statement relate to loans from the Florida Municipal Loan Council and a Community Development Block Grant Section 108 Loan.

1) Florida Municipal Loan Council

On April 28, 1999, the City executed a loan agreement with the Florida Municipal Loan Council to borrow \$30,000,000 from the proceeds of the Florida Municipal Loan Council Revenue Bonds, Series 1999 for major roadway improvements and infrastructure projects. The loan has an outstanding balance of \$20,865,000 and calls for semi-annual payments due on April 1 and October 1, commencing on October 1, 1999 through April 1, 2019 and bears interest at varying rates ranging from 3.2% to 5.1%.

On May 1, 2003, the City executed a loan agreement with the Florida Municipal Loan Council to borrow \$48,135,000 from the proceeds of the Florida Municipal Loan Council Revenue Bonds, Series 2003A, for major roadway improvements and infrastructure projects. The loan has an outstanding balance of \$44,795,000 and calls for annual payments due on May 1, commencing on May 1, 2004 through May 1, 2033 and bears interest at varying rates ranging from 2.0% to 5.25%.

On February 15, 2005, the City executed a loan agreement with the Florida Municipal Loan Council to borrow \$29,090,000 from the proceeds of the Florida Municipal Loan Council Revenue Bonds, Series 2005A, for major roadway improvements and infrastructure projects. The loan has an outstanding balance of \$28,075,000 and calls for annual payments due on February 1, commencing on February 1, 2006 through February 1, 2035 and bears interest at varying rates ranging from 3.0% to 5.0%.

CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 10. LONG-TERM DEBT (Continued)

Notes Payable (Continued)

1) Florida Municipal Loan Council (Continued)

The arbitrage rebate requirement generally requires issuers of tax-exempt debt to rebate to the U.S. Treasury that investment income arising from proceeds of tax-exempt debt to the extent that such income results from investments yields in excess of the bond yield. There is no arbitrage rebate liability in connection with the Revenue Bonds at September 30, 2007.

2) Community Development Block Grant Section 108 Loan

On June 14, 2000, the City executed a loan agreement with the U.S. Department of Housing and Urban Development (HUD) under HUD's Community Development Block Grant (CDBG) Section 108 Loan Program. The loan totaled \$4,400,000 and calls for semi-annual principal and interest payments at varying interest rates commencing on August 1, 2000 through August 1, 2019. The loan is payable to a bank as the trustee and registered holder of the note, guaranteed by HUD and collateralized by future CDBG funds granted to the City.

The loan had an outstanding balance of \$3,275,000 at September 30, 2007.

The City granted all of the guaranteed loan funds to a local business to finance economic development activities, including the purchase of machinery and equipment for the local business warehousing and distributing facilities and corporate headquarters. A grant agreement was also executed with the local business and the City obtained a first priority security interest in the local business machinery and equipment as stipulated in the grant agreement. The City paid the local business \$4,000,000 of the loan amount and has designated the additional \$400,000 net of transaction fees in the City's CDBG special revenue fund.

3) Bond Anticipation Note

On December 16, 2005, the City entered into a loan agreement with SunTrust Bank for a construction line of credit for the purpose of financing the construction of a 300-unit affordable housing project in the amount of \$15,000,000. Quarterly interest only payments shall be due and payable commencing on March 1, 2006 and ending on December 1, 2008 (the "Maturity Date") with the entire unpaid principal balance due and payable in full on the maturity date at a variable interest rate, currently at 4.69% and not to exceed 12% over the life of the loan. At September 30, 2007, the loan had an outstanding balance of \$15,000,000.

CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 10. LONG-TERM DEBT (Continued)

Notes Payable (Continued)

Annual debt service requirements to maturity for notes payable are as follows:

<u>Florida Municipal Loan Council - Series 1999:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>Fiscal Year ending September 30:</u>			
2008	\$1,345,000	\$986,444	\$2,331,444
2009	1,400,000	930,963	2,330,963
2010	1,460,000	871,463	2,331,463
2011	1,525,000	807,508	2,332,508
2012	1,595,000	738,963	2,333,963
2013-2017	9,185,000	2,482,481	11,667,481
2018-2019	<u>4,355,000</u>	<u>312,787</u>	<u>4,667,787</u>
	<u>\$20,865,000</u>	<u>\$ 7,130,607</u>	<u>\$27,995,607</u>

<u>Florida Municipal Loan Council - Series 2003A:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>Fiscal Year ending September 30:</u>			
2008	\$905,000	\$2,200,887	\$3,105,887
2009	930,000	2,173,738	3,103,738
2010	960,000	2,145,837	3,105,837
2011	1,005,000	2,097,838	3,102,838
2012	1,055,000	2,047,588	3,102,588
2013-2017	6,160,000	9,360,463	15,520,463
2018-2022	7,950,000	7,569,138	15,519,138
2023-2027	10,080,000	5,436,150	15,516,150
2028-2032	12,795,000	2,720,500	15,515,500
2033	<u>2,955,000</u>	<u>147,750</u>	<u>3,102,750</u>
	<u>\$44,795,000</u>	<u>\$35,899,888</u>	<u>\$80,694,888</u>

CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 10. LONG-TERM DEBT (Continued)

Notes Payable (Continued)

Florida Municipal Loan Council - Series 2005A:

Fiscal Year ending September 30:

2008	\$540,000	\$1,306,336	\$1,846,336
2009	555,000	1,288,101	1,843,101
2010	575,000	1,270,002	1,845,002
2011	595,000	1,249,005	1,844,005
2012	620,000	1,226,540	1,846,540
2013-2017	3,455,000	5,750,850	9,205,850
2018-2022	4,290,000	4,878,056	9,168,056
2023-2027	5,485,000	3,653,704	9,138,704
2028-2032	6,915,000	2,183,153	9,098,153
2033-2035	<u>5,045,000</u>	<u>394,803</u>	<u>5,439,803</u>
	<u>\$28,075,000</u>	<u>\$23,200,549</u>	<u>\$51,275,549</u>

CDBG Section 108:

Fiscal Year ending September 30:

2008	\$185,000	\$252,696	\$437,696
2009	200,000	239,342	439,342
2010	210,000	224,946	434,946
2011	225,000	209,305	434,305
2012	240,000	192,435	432,435
2013-2017	1,470,000	657,244	2,127,244
2018-2019	<u>745,000</u>	<u>89,817</u>	<u>834,817</u>
	<u>\$ 3,275,000</u>	<u>\$ 1,865,785</u>	<u>\$ 5,140,785</u>

Bond Anticipation Loan:

Fiscal Year ending September 30:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ -	\$473,190	\$473,190
2009	<u>15,000,000</u>	<u> </u>	<u>15,000,000</u>
	<u>\$15,000,000</u>	<u>\$473,190</u>	<u>\$15,473,190</u>

CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 10. LONG-TERM DEBT (Continued)

Mortgage Payable

In September 1991, the City executed a mortgage note payable with the Miami-Dade Housing Agency for the purchase of an apartment building to be used for low-income housing. The mortgage calls for monthly principal and interest payments at 3% per annum of \$759 through August 1, 2021 and is secured by the property.

Annual debt service requirements to maturity for notes payable are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>Fiscal Year ending September 30:</u>			
2008	\$6,085	\$3,022	\$9,107
2009	6,270	2,837	9,107
2010	6,461	2,646	9,107
2011	6,708	2,399	9,107
2012	6,911	2,195	9,107
2013-2017	37,840	7,693	45,533
2018-2021	<u>27,616</u>	<u>1,809</u>	<u>29,425</u>
	<u>\$ 97,891</u>	<u>\$22,601</u>	<u>\$120,492</u>

Revolving Loan

On May 11, 2001, the City entered into a revolving loan agreement with the State of Florida Department of Environmental Protection for the purpose of providing financial assistance for planning and designing water and sewer system improvements. At September 30, 2007 the project had not been completed and the amount of the loan available for the project was \$2,997,370 of which the City had withdrawn \$2,158,254. The loan shall be repaid in 18 semiannual loan payments of \$110,945 beginning September 15, 2007, which is based on the total amount owed. Amount due as of September 30, 2007 was \$2,158,254, which includes capitalized interest and other costs.

CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 10. LONG-TERM DEBT (Continued)

Changes in Long-Term Liabilities

The following is a summary of changes in the long-term debt for the year ended September 30, 2007:

	Balance September 30, <u>2006</u>	<u>Additions</u>	<u>Reductions</u>	Balance September 30, <u>2007</u>	Due Within <u>One Year</u>
Governmental activities:					
Revenue bonds	\$ 2,780,000	\$ -	\$ (170,000)	\$ 2,610,000	\$ 180,000
Notes payable	109,930,000	4,950,000	(2,870,000)	112,010,000	3,448,190
Capital leases	252,391	-	(67,344)	185,047	71,055
Mortgage payable	<u>103,841</u>	<u>-</u>	<u>(5,950)</u>	<u>97,891</u>	<u>6,131</u>
Total	<u>113,066,232</u>	<u>4,950,000</u>	<u>(3,113,294)</u>	<u>114,902,938</u>	<u>3,705,376</u>
Less deferred amounts:					
Bond issuance costs	(1,541,290)		66,574	(1,474,716)	66,574
Discount	(63,122)	-	5,050	(58,072)	(5,050)
Premium	<u>2,506,085</u>	<u>-</u>	<u>(92,283)</u>	<u>2,413,802</u>	<u>92,283</u>
Total bonds and loans payable	<u>\$113,967,905</u>	<u>\$4,950,000</u>	<u>\$(3,133,953)</u>	<u>\$115,783,952</u>	<u>\$3,859,183</u>
Claims payable	<u>\$32,484,469</u>	<u>\$3,886,589</u>	<u>\$(3,730,714)</u>	<u>\$32,640,344</u>	<u>\$2,384,514</u>
Compensated absences	<u>\$17,096,974</u>	<u>\$10,631,887</u>	<u>\$(10,543,223)</u>	<u>\$17,185,638</u>	<u>\$205,848</u>
Business-type activities:					
Revenue bonds	465,000	-	\$(465,000)	-	-
Notes payable	2,305,000	-	(1,120,000)	1,185,000	1,185,000
Revolving loan	1,021,188	1,358,956	(221,890)	2,158,254	-
Miami-Dade County					
Water purchase agreement	<u>514,546</u>	<u>-</u>	<u>(161,714)</u>	<u>352,832</u>	<u>176,416</u>
Total bonds and loans payable	<u>\$4,305,734</u>	<u>\$1,358,956</u>	<u>\$(1,968,604)</u>	<u>\$3,696,086</u>	<u>\$1,361,416</u>
Claims payable	<u>\$6,563,435</u>	<u>\$3,724,550</u>	<u>\$(3,775,714)</u>	<u>\$6,512,271</u>	<u>\$273,100</u>
Compensated absences	<u>\$1,885,618</u>	<u>\$1,154,252</u>	<u>\$(1,224,055)</u>	<u>\$1,810,641</u>	<u>\$1,918</u>

Other long-term liabilities such as compensated absences are normally paid from the general fund.

CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 11. RISK MANAGEMENT

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The City is self-insured for general liability, automobile, workers' compensation, and health. For all other coverage the City carries commercial insurance. The City currently reports all of its risk management activities in its General Fund, except those related to Enterprise Funds, which are reported in those funds.

Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported (IBNR). Claims liabilities are actuarially determined using historical and recent claim settlement trends. There were no significant reductions in insurance coverage from coverage in the prior year, and there were no settlements that exceeded insurance coverage for each of the past three years.

The City only records the current portion of claims payable within the General Fund if there is a settled claim which is due and payable at year end and is outstanding. The long-term portion is reported in the statement of net assets. Amounts payable from proprietary funds are accounted for within those funds.

	<u>2006</u>	<u>2006</u>
Unpaid claims, beginning	\$39,047,904	\$42,074,119
Incurred claims (including IBNR)	34,611,139	30,863,868
Claims payments	<u>(34,506,428)</u>	<u>(33,890,083)</u>
Unpaid claims, ending	<u>\$39,152,615</u>	<u>\$ 39,047,904</u>

NOTE 12. COMMITMENTS AND CONTINGENCIES

Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

The City is a defendant in various lawsuits incidental to its operations. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the City attorney that resolution of these matters will not have a material adverse effect on the financial condition of the City.

CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 12. COMMITMENTS AND CONTINGENCIES (Continued)

Water and Sewers Fund

The Department of Water and Sewers has entered into two agreements with the Miami-Dade Water and Sewer Department (the County), whereby the County will sell treated water and provide wastewater treatment and disposal services through September 2007 and February 2009, respectively, to the extent required by the City. Rates paid by the City of Hialeah vary depending on usage and costs incurred by the County. The charges to operations under these agreements for the year ended September 30, 2007 were \$8,008,789 for water services and \$13,380,414 for wastewater treatment and disposal services.

Hialeah Branch Courthouse Lease

On November 4, 1996, the City entered into a lease with Miami-Dade County for two parcels of land owned by the City and reimbursement of design, construction and financing of a courthouse. The lease was amended in 2000 and extended to 2030 with annual payments from the County of \$500,000.

NOTE 13. EMPLOYEES' AND ELECTED OFFICIALS' RETIREMENT SYSTEMS

EMPLOYEES' RETIREMENT SYSTEM

The following brief description of the Plan is provided for general information purposes only. Participants should refer to the City of Hialeah Employees' Retirement System Plan document for more complete information.

Plan Description

The City is the administrator of a single-employer Public Employee Retirement System (PERS) established to provide pension, annuity, death, and disability benefits through a defined benefit and a defined contribution pension plan, that covers substantially all of the employees of the City and its Department of Water and Sewers. Cost of living adjustments of 2% annually (excluding beneficiaries and those members who are receiving a Deferred Retirement Allowance), are made to members for Basic and Service Pensions. The City of Hialeah Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Hialeah Employees' Retirement System, 501 Palm Avenue, Hialeah, Florida, 33010.

CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 13. EMPLOYEES' AND ELECTED OFFICIALS' RETIREMENT SYSTEMS (Continued)

EMPLOYEES' RETIREMENT SYSTEM (Continued)

Membership in the Plan as of October 1, 2006 consisted of the following:

Inactive employees:

Retirees and beneficiaries currently receiving benefits	1,050
Terminated employees entitled to benefits but not yet receiving them	<u>89</u>
Subtotal	<u>1,139</u>

Active employees:

General employees	689
Police officers and firefighters	<u>757</u>
Subtotal	<u>1,446</u>
Total members	<u>2,585</u>

Loans to Members

The Employees' Retirement System Plan permits members to borrow from the Plan assets (subject to the rules of the Internal Revenue Service) at rates determined by the Plan Trustees. Interest charged on loans is 1.5% above the Wall Street Journal prime rate (8.25% as of September 30, 2007). Such loans are limited to and fully secured by the respective member's annuity savings account. Loan payments are deducted directly from the member's bi-weekly payroll.

Administrative Expenses

Administrative expenses incurred by the Plans are absorbed by the City.

Funding Policy

Plan members are required to contribute 7% of their basic compensation to the Annuity Savings Fund. The City is required to contribute at an actuarially determined rate. Plan participants are permitted to purchase a maximum of four years of membership credit service time. The contribution requirements of the plan members and the City are established and may be amended by the Employees' Retirement System Board of Trustees.

CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 13. EMPLOYEES' AND ELECTED OFFICIALS' RETIREMENT SYSTEMS (Continued)

EMPLOYEES' RETIREMENT SYSTEM (Continued)

Annual Pension Cost and Net Pension Obligation

The City's annual pension cost and net pension obligation for the current year are as follows:

Annual required contribution	\$15,855,083
Interest on net pension obligation	3,201,546
Adjustment to annual required contribution	<u>(3,554,814)</u>
Annual pension cost	15,501,815
Contributions made	<u>(14,429,985)</u>
Increase in net pension obligation	1,071,830
Net pension obligation, beginning of year	<u>40,019,330</u>
Net pension obligation, end of year	<u>\$ 41,091,160</u>

The annual required contribution for the current year was determined as part of the October 1, 2006 actuarial valuation using the entry age normal method. The actuarial assumptions included (a) 8% investment rate of return and (b) projected salary increases ranging from 3.5% to 12% per year. Both (a) and (b) included an inflation component of 3.5%. The assumptions did not include post-retirement benefit increases. The actuarial value of assets was determined using 5-year smoothed market method. The unfunded actuarial accrued liability is being amortized using the level dollar open basis. The remaining amortization period was 30 years.

<u>Fiscal Year Ending</u>	<u>Three-Year Trend Information</u>		
	Annual	Percentage	Net
	Pension	of APC	Pension
	<u>Cost (APC)</u>	<u>Contributed</u>	<u>Obligation</u>
9/30/2005	\$16,428,203	89%	\$40,476,057
9/30/2006	\$14,928,237	103%	\$40,019,330
9/30/2007	\$15,501,815	93%	\$41,091,160

CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 13. EMPLOYEES' AND ELECTED OFFICIALS' RETIREMENT SYSTEMS (Continued)

EMPLOYEES' RETIREMENT SYSTEM (Continued)

DROP Plan

Effective March 1, 2007, the City established a deferred retirement option plan (DROP) for Police and Firefighters. An active participant of the City's retirement system may enter into the DROP, on the first day of the month following completion of 25 years of membership service credit, provided that the sum of the member's age and years of service is 70 points or more. Upon entry into the DROP, a member's monthly retirement benefits, which would have been payable had the member elected to cease employment and receive a normal retirement benefit, shall be paid into the member's DROP account. The maximum duration for participation in the DROP shall not exceed thirty-six (36) months. As of September 30, 2007, there were seven (2) DROP participants.

Subsequent to year end, general employees were added to the DROP plan.

ELECTED OFFICIALS' RETIREMENT SYSTEM

Plan Description

The City of Hialeah Elected Officials' Retirement System (EORS) is a single employer defined benefit pension plan administered by the City of Hialeah. The EORS was established by City Ordinance effective June 1998. The Plan is considered part of the City's financial reporting entity and is included in the City's financial statements as a pension trust fund. All qualified elected officials and city attorneys are eligible to participate in the plan. The Plan does not issue a stand alone financial report. The latest available actuarial valuation is as of September 30, 2006, however, employer contribution requirements for the year ended September 30, 2007 were based on the September 30, 2006 valuation. Benefit and contribution provisions are established by City ordinance and may be amended only by the City Council.

Membership in the Plan as of September 30, 2006, the date of the most recent actuarial valuation, was as follows:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	<u>12</u>
Current employees:	
Vested	13
Non-vested	<u>-</u>
Total	<u>13</u>

Pension Benefits

Participants earn one vesting credit for each year of service completed. A participant is considered fully vested after 8 years of credited service. After 8 years of credited service, the participant need not render any further service as an employee of the City, in order to begin receiving a pension benefit upon attaining eligibility.

A participant is eligible for normal retirement benefits when the participant has attained age 55 and 8 vesting credits or has attained 20 vesting credits regardless of age.

Normal retirement benefits are based on 3% of average final compensation multiplied by the years of service for each year of prior service.

CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 13. EMPLOYEES' AND ELECTED OFFICIALS' RETIREMENT SYSTEMS (Continued)

ELECTED OFFICIALS' RETIREMENT SYSTEM (Continued)

Contributions and Funding Policy

The Plan's funding policy provides for actuarially determined periodic employer contributions sufficient to pay the benefits provided by the Plan when they become due. The actuarial cost method used for determining the contribution requirements of the Plan is the individual entry age method. This method allocates the actuarial present value of each member's projected benefits on a level basis over the member's pensionable compensation between the entry age of the member and the assumed exit age.

Basis of Accounting

The financial statements of the Plan are prepared using the accrual basis of accounting. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plans.

Method Used to Value Investments

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national exchange are valued at the last reported sales price. Net appreciation in fair value of investments includes realized and unrealized gains and losses. Interest and dividends are reported as investment earnings. Realized gains and losses are determined on the basis of specific cost. Purchases and sales are recorded on the trade-date basis.

Annual Pension Cost and Net Pension Obligation (Asset)

The City's annual pension cost and net pension asset for the current year are as follows:

Annual required contribution	\$240,475
Interest on net pension obligation	(93,935)
Adjustment to annual required contribution	<u>129,780</u>
Annual pension cost	276,320
Contributions made	<u>500,000</u>
Decrease in net pension obligation	(223,680)
Net pension obligation, beginning of year	<u>(1,341,928)</u>
Net pension obligation, end of year	<u><u>\$ (1,565,608)</u></u>

CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 13. EMPLOYEES' AND ELECTED OFFICIALS' RETIREMENT SYSTEMS (Continued)

ELECTED OFFICIALS' RETIREMENT SYSTEM (Continued)

Annual Pension Cost and Net Pension Obligation (Asset)

<u>Three-Year Trend Information</u>			
	Annual	Percentage	Net
	Pension	of APC	Pension
<u>Fiscal Year Ending</u>	<u>Cost (APC)</u>	<u>Contributed</u>	<u>Obligation</u>
			<u>(Asset)</u>
9/30/2005	153,901	202%	(1,222,300)
9/30/2006	280,272	143%	(1,342,028)
9/30/2007	276,320	181%	(1,565,708)

The annual required contribution for the current year was determined as part of the September 30, 2006 actuarial valuation, using the individual entry age method. The actuarial assumptions included (a) a rate of return on investment of present and future assets of 6% per year compounded annually, (b) projected salary increases of 8% per year compounded annually, and (c) the assumption that benefits will not increase after retirement. The actuarial value of assets was determined using techniques, which express it as a percentage of the actuarial accrued liability. The unfunded actuarial accrued liability is being expressed as a percentage of covered payroll which approximately adjusts for the effects of inflation and aids analysis of the progress being made in accumulating sufficient assets to pay benefits when due. The unfunded actuarial accrued liability is being amortized using the level percent of payroll closed basis. The remaining amortization period at September 30, 2007 was 6-27 years, closed.

CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 13. EMPLOYEES' AND ELECTED OFFICIALS' RETIREMENT SYSTEMS (Continued)

ELECTED OFFICIALS' RETIREMENT SYSTEM (Continued)

The statement of net assets and statement of changes in net assets for the Elected Officials' Retirement System are presented below:

STATEMENT OF NET ASSETS SEPTEMBER 30, 2007

ASSETS

Cash and cash equivalents	\$ 767,570
Receivables:	
Due from other funds	<u>213,569</u>
Investments, at fair value:	
U.S. Government securities	<u>3,554,774</u>
Total assets	<u>4,535,913</u>

LIABILITIES AND NET ASSETS

Accounts payable and accrued liabilities	<u>28,034</u>
Net assets held in trust for pension benefits	<u>\$ 4,507,879</u>

STATEMENT OF CHANGES IN NET ASSETS FISCAL YEAR ENDED SEPTEMBER 30, 2007

ADDITIONS

Contributions:	
Employer	\$ 500,000
Investment income:	
Investment earnings	<u>250,775</u>
	250,775
Less investment expenses	<u>5,800</u>
Net investment income	<u>244,975</u>
Total additions	<u>744,975</u>

DEDUCTIONS

Pension benefits	<u>158,082</u>
Net increase	586,893
Net assets held in trust for pension benefits:	
Beginning	<u>3,920,986</u>
Ending	<u>\$ 4,507,879</u>

CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 14. DEFINED CONTRIBUTION PLANS

The City of Hialeah has two defined contribution plans; the City of Hialeah Police Pension Fund and the City of Hialeah Firemen's Relief and Pension Fund. The Plans were created on March 27, 1984 by Ordinance 1781 as amended by Ordinance 84-43 and on May 26, 1981 by Ordinance 631 as amended by Ordinance 81-62, respectively. The purpose of these Plans is to provide a means whereby police officers and firefighters of the City may receive benefits from funds provided for that purpose by contributions of the City through state contributions provided by Chapter 175/185 of the Florida Statutes. The participants do not contribute to the Plans. These funds are a supplement to and in no way affect police officer and firefighter benefits under the City of Hialeah Employees' Retirement System. The City no longer receives passed-through State contributions for the police officers or firefighters. The City under Chapter 185 of the Florida Statutes has provided authorization to the State for the direct contribution of benefits to the Police Pension Fund.

NOTE 15. LOSS DUE TO FRAUD

During 2007, the City of Hialeah's Employees' Retirement System (the Plan) suffered a loss of approximately \$345,694 due to fraud committed by an employee of the retirement office. A receivable for the entire balance was recorded as the Plan expects to collect the amount through insurance claims and through criminal claims filed against the former employee. The theft resulted in a correction (reduction) of the September 30, 2006 balance reported for Net Assets Held in Trust for Pension Benefits of \$161,800.

NOTE 16. SUBSEQUENT EVENT- Property Tax Amendment 1

On January 29, 2008, the Florida electorate approved an amendment to the Florida Constitution relative to property taxation. This amendment (referred to as Amendment 1) was placed on the ballot by the Florida Legislature at a special session held in October 2007. With respect to homestead property, Amendment 1 increases the current \$25,000 homestead exemption by another \$25,000 (for property values between \$50,000 - \$75,000), except for school district taxes. Since the new \$25,000 homestead exemption does not apply to school district taxes, this effectively amounts to a \$15,000 increase to the existing homestead exemption, resulting in an estimated annual savings of \$240 for an average homeowner. Amendment 1 also allows property owners to transfer (make portable) up to \$500,000 of their Save Our Homes benefits to their next homestead when they move. Save Our Homes became effective in 1995 and limits (caps) the annual increase in assessed value for homestead property to three percent (3%) or the percentage change in the Consumer Price Index, whichever is less. With respect to non-homestead property, Amendment 1 limits (caps) the annual increase in assessed value for non-homestead property (businesses, industrial property, rental property, second homes, etc.) to ten percent (10%), except for school district taxes. The Amendment also provides a \$25,000 exemption for tangible personal property. Amendment 1 becomes effective on October 1, 2008, with the exception of the ten percent (10%) assessment cap on non-homestead property which becomes effective on January 1, 2009.

Based on information received from Miami-Dade County Property Appraiser's Office, the estimated annual loss of property tax revenues for our city from the additional homestead exemption and the \$25,000 exemption for tangible personal property is approximately \$5,336,000. At present, there is no accurate way to determine the impact of the portability and assessment cap on non-homestead property provisions in terms of potential loss of property tax revenues. Estimates for the City show an additional loss of property tax revenues of \$561,000.

REQUIRED SUPPLEMENTARY INFORMATION
(Other Than MD&A)

CITY OF HIALEAH, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FISCAL YEAR ENDED SEPTEMBER 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
Ad valorem taxes	\$ 65,786,000	\$ 65,786,000	\$ 61,549,502	\$ (4,236,498)
Utility taxes	20,461,000	20,461,000	21,279,503	818,503
Franchise fees	10,785,000	10,785,000	11,929,276	1,144,276
Licenses and permits	6,195,000	6,195,000	6,545,178	350,178
State and local shared revenues	23,885,000	23,885,000	23,738,237	(146,763)
Fines and forfeitures	1,372,000	1,372,000	1,478,394	106,394
Interest	2,000,000	2,000,000	1,749,334	(250,666)
Government grants and other revenues	<u>8,946,298</u>	<u>8,946,298</u>	<u>7,568,934</u>	<u>(1,377,364)</u>
Total revenues	<u>139,430,298</u>	<u>139,430,298</u>	<u>135,838,358</u>	<u>(3,591,940)</u>
Expenditures:				
Current:				
Police	\$ 42,912,176	\$ 43,233,169	\$ 40,115,011	\$ 3,118,158
Fire	30,510,657	30,611,023	29,217,724	1,393,299
Fleet maintenance	2,326,591	2,333,901	2,107,047	226,854
Construction and maintenance	3,150,020	3,151,419	2,876,541	274,878
Recreation and community services	12,144,116	12,331,951	10,399,244	1,932,707
Planning and development	3,579,609	3,587,626	3,135,389	452,237
Adult center	2,338,007	2,338,007	1,675,303	662,704
Law	1,363,980	1,380,809	965,169	415,640
Risk management	703,148	703,148	578,003	125,145
Human resources	1,106,290	1,106,290	838,335	267,955
City Clerk's office	1,364,039	1,364,039	1,112,082	251,957
Office of Management and Budget	860,236	860,309	753,186	107,123
Office of the Mayor	754,349	754,349	714,702	39,647
Communications and special events	1,008,048	1,008,048	941,837	66,211
Employee retirement	596,699	596,699	455,229	141,470
Library	2,026,804	2,081,097	1,743,219	337,878
Compliance division	650,433	650,433	535,830	114,603
Finance	1,068,152	1,068,152	890,882	177,270
Division of licenses	541,718	541,718	397,628	144,090
General government	32,419,201	33,321,923	28,805,443	4,516,480
Information systems	1,750,619	1,755,182	1,109,924	645,258
Capital outlay	7,192,033	7,192,033	4,663,829	2,528,204
Debt service:				
Principal and interest	<u>698,025</u>	<u>698,025</u>	<u>705,360</u>	<u>(7,335)</u>
Total expenditures	<u>151,064,950</u>	<u>152,669,350</u>	<u>134,736,917</u>	<u>17,932,433</u>
Excess (deficiency) of revenues over expenditures	<u>(11,634,652)</u>	<u>(13,239,052)</u>	<u>1,101,441</u>	<u>(12,137,611)</u>
Other financing sources (uses):				
Transfers out	-	-	(4,456,026)	(4,456,026)
Appropriation of prior year fund balance	<u>11,634,652</u>	<u>13,239,052</u>	<u>-</u>	<u>13,239,052</u>
Total other financial sources (uses)	<u>11,634,652</u>	<u>13,239,052</u>	<u>(4,456,026)</u>	<u>8,783,026</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>(3,354,585)</u>	<u>\$ (3,354,585)</u>
Fund balances - beginning	<u>-</u>	<u>-</u>	<u>33,050,362</u>	
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,695,777</u>	

See notes to budgetary comparison schedule.

CITY OF HIALEAH, FLORIDA

NOTES TO BUDGETARY COMPARISON SCHEDULE

FISCAL YEAR ENDED SEPTEMBER 30, 2007

NOTE 1. BUDGETS AND BUDGETARY ACCOUNTING

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States. The City follows the procedures below in establishing the budgetary data reflected in the accompanying financial statements.

- a. Prior to September 1, the Mayor submits to the City Council a proposed operating budget for the General Fund for the ensuing fiscal year, commencing October 1. The operating budget includes proposed expenditures and the means of funding them.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to October 1, the budget is legally enacted through passage of an ordinance.
- d. At any time, the Mayor may transfer any unencumbered appropriation balance or portion thereof between classifications of expenditures within an office or department. At the request of the Mayor and within the last 6 months of the fiscal year, the City Council may transfer, by resolution, any unencumbered appropriation balance or portion thereof from one office or department to another. At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the fund from which it was appropriated and shall be subject to future appropriations. The legal level of control is at the department level.
- e. The reported budgetary data represents the final approved budget after amendments adopted by the City Council. Individual type amendments were not material in relation to the original appropriations. Unencumbered appropriations lapse at fiscal year end.
- f. The City Council may make supplemental appropriations during the fiscal year. Supplemental appropriations were \$1,604,400 for the general fund, \$638,551 for the Streets Fund, \$54,495 for the Rescue Transportation Fund, \$191,221 for the Stormwater Utilities Fund, \$1,334,367 for the Building Better Communities Fund, \$264 for the E-911 Fund, \$17,106 for the Affordable Housing Fund and \$885,897 for the Capital Improvement Construction Fund during fiscal year ended September 30, 2007.

NOTE 2. For fiscal year ended September 30, 2007, expenditures exceeded appropriations in the following non-major governmental funds.

	<u>Final Budget</u>	<u>Actual</u>	<u>Amount in Excess of Final Budget</u>
E-911	\$606,000	\$925,171	\$319,171
300 Units Development	10,065,023	15,672,523	5,607,500

These excess were funded with excess revenues received in the current fiscal year or available fund balance.

NOTE 3. DEFICIT FUND EQUITY

The Solid Waste Fund had an accumulated deficit of \$1,178,942 as of September 30, 2007.

CITY OF HIALEAH, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
SEPTEMBER 30, 2007

Fiscal Year Ended September 30,	EMPLOYEES' RETIREMENT SYSTEM		ELECTED OFFICIALS' RETIREMENT	
	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed
2002	\$ 11,683,747	26%	\$ 108,225	100%
2003	15,511,234	52%	136,116	100%
2004	15,257,996	69%	130,205	229%
2005	16,577,257	88%	250,415	160%
2006	15,084,481	102%	240,475	208%
2007	15,855,083	88%	263,369	190%

The information presented in the required supplemental schedules was determined as part of the actuarial validations at the dates indicated. Additional information as of the latest actuarial valuation follows.

Valuation date	October 1, 2006	September 30, 2006
Actuarial cost method	Entry age normal	Individual entry age
Amortization method	Level dollar open	Level percent of payroll, closed
Remaining amortization period	30 years	6-27 years closed
Asset valuation method	5-year smoothed market	Market value
Actuarial assumptions:		
Investment rate of return*	8%	6%
Projected salary increases*	3.5% to 12.0%	8%
* Includes inflation at:	3.5%	4%
Cost of living adjustment	2.0%	N/A

CITY OF HIALEAH, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
SEPTEMBER 30, 2007

EMPLOYEES' RETIREMENT SYSTEM

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
10/1/2001	\$ 474,245,859	\$ 469,070,717	\$ (5,175,142)	101.1%	\$ 53,440,235	-9.7%
10/1/2002	452,978,637	481,947,418	28,968,781	94.0%	54,744,904	52.9%
10/1/2003	439,793,566	501,224,409	61,430,843	87.7%	58,129,374	105.7%
10/1/2004	442,293,992	516,284,449	73,990,457	85.7%	57,655,037	128.3%
10/1/2005	462,096,761	507,134,721	45,037,960	91.1%	60,364,488	74.6%
10/1/2006	500,501,442	556,466,663	55,965,221	89.9%	66,835,565	83.7%

ELECTED OFFICIALS' RETIREMENT SYSTEM

10/1/2001	\$ 1,842,622	\$ 1,790,749	\$ (51,873)	102.9%	\$ 488,455	-10.6%
10/1/2002	2,062,206	1,893,479	(168,727)	108.9%	487,773	-34.6%
10/1/2003	2,664,848	3,154,525	489,677	84.5%	988,293	49.5%
10/1/2004	3,049,827	3,396,593	346,766	89.8%	965,463	35.9%
10/1/2005	3,455,014	3,810,238	355,224	90.7%	1,043,850	34.0%
10/1/2006	3,920,986	4,568,219	647,233	85.8%	986,381	65.6%

COMBINING AND INDIVIDUAL FUND STATEMENTS

GENERAL FUND

CITY OF HIALEAH, FLORIDA

GENERAL FUND COMPARATIVE BALANCE SHEETS

SEPTEMBER 30, 2007
(WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2006)

<u>ASSETS</u>	<u>2007</u>	<u>2006</u> (Unaudited)
Cash and cash equivalents	\$ 19,344,246	\$ 35,690,149
Receivables, net	10,228,423	9,453,387
Due from other funds	22,961,475	7,599,539
Due from other governmental agencies	-	17,366
Inventories	1,186,595	1,133,375
Restricted cash	<u>3,000,000</u>	<u>-</u>
Total assets	<u>\$ 56,720,739</u>	<u>\$ 53,893,816</u>
 <u>LIABILITIES AND FUND BALANCES</u>		
Liabilities:		
Vouchers payable and accrued liabilities	\$ 4,290,114	\$ 4,356,112
Compensated absences payable	225,848	472,285
Self-insurance claims payable	2,384,514	2,228,639
Due to other funds	16,905,951	10,500,043
Deferred revenue	2,743,790	2,649,421
Other liabilities	<u>474,745</u>	<u>636,954</u>
Total liabilities	<u>27,024,962</u>	<u>20,843,454</u>
Fund balances:		
Reserved for:		
Encumbrances	1,740,757	1,609,132
Inventories	1,186,595	1,133,375
Charter school	3,000,000	-
Unreserved:		
Designated for:		
Public safety	504,798	-
Subsequent years' expenditures	19,420,258	11,634,652
Undesignated	<u>3,843,369</u>	<u>18,673,203</u>
Total fund balances	<u>29,695,777</u>	<u>33,050,362</u>
Total liabilities and fund balances	<u>\$ 56,720,739</u>	<u>\$ 53,893,816</u>

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Special revenue funds are used to account for specific revenue that is legally restricted to expenditure for particular purposes.

Streets – This fund was established to account for revenues derived from Miami-Dade County's 5 cents and 6 cents gas tax. The City funds its Streets Department from these gas tax revenues and the expenditures include regular salaries for the department, major repairs and maintenance to the City streets and capital outlay for road resurfacing and construction.

Stormwater – This fund administers revenues received from the Water & Sewers department from stormwater billings. Expenditures from this fund are mainly for salaries, stormwater drainage improvements and additions. The fees charged for Equivalent Residential Units (ERU) are \$2.50 per ERU.

Rescue Transportation – This fund administers revenues collected from fire rescue calls service billings. The main expenditures are for salaries of billing clerks, one lieutenant, and capital outlays for the Fire Department.

Fire Prevention – This fund administers revenues collected from fire re-inspection fees. Expenditures from this fund are mainly for salaries and operating expenses for the Fire Department.

E-911 – This fund administers revenues collected by the phone companies for emergency 911 calls. Expenditures from this fund are mainly for salaries of dispatchers for the Police and Fire Departments and for capital improvements.

E-911 Wireless Communication – This fund administers revenues collected from fire rescue calls service billings. The main expenditures are for salaries of billing clerks, one lieutenant, and capital outlays for the Fire Department.

Metro Medical Response System – This fund was created to account for revenues awarded by the State and Federal Governments. The funds are used for salaries, operating, and capital expenses for the Fire Department as specified by the MMRS agreement.

Law Enforcement Trust – This fund is used to account monies received from federal and state confiscated and forfeited property. These funds are to be used to purchase equipment for the Police Department and for improvements to the Police Department.

Hialeah-Dade Development County Grant – HDDI provides economic development services for the City of Hialeah and Miami-Dade County. This fund was established to account for expenditures and revenues derived from CDBG funds passed through Miami-Dade County.

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds (Continued)

Community Development Block Grant (CDBG) – This fund was established to account for expenditures and revenues derived from a Community Development Block Grant obtained from HUD. The grant was established to provide the following: Administration/Planning, Economic Development, Public Services, Housing Development, Commercial Improvement/Urban Development, 1st Time Home Buyer Assistance, and Section 108 Loan Guarantees.

Worker Investment Act (WIA) – This fund administers grant funds for the Hayes Program. These programs were established to prepare youth and adults facing serious barriers to employment for participation in labor force by providing job training and other services that will result in increased employment and earnings, increased educational and occupational skills, and decreased welfare dependency.

Home Investment Partnership Program Fund – This fund was established to account for expenditures and revenues derived from grants obtained from the U.S. Department of Housing and Urban Development. The purpose of the grants is for the City of Hialeah (the City) to provide affordable housing for its citizens. The City manages the grant and obtains reimbursements from HUD after expenditures are incurred.

Emergency Shelter Grant – This fund administers revenues from the Emergency Shelter Grants Program from HUD. The program was designed to help improve the quality of existing emergency shelters, make available additional emergency shelters and meet the costs to operate the shelters for the homeless.

Building Impact Fees – This fund was established to account for revenues derived from Park Impact Fees established by Ordinance 92-145 collected from building permits for new units. Expenditures from this fund are mainly for park improvements and development of open spaces.

Buffer Zone Protection Grant – This fund was established to account for expenditures and revenues derived from a grant obtained from the State of Florida Department of Law Enforcement, passed through from the Department of Homeland Security. The purpose of the grant is for the City to protect, secure and reduce the vulnerability of identified critical infrastructure and key resource sites.

Affordable Housing – Created to manage the building and revenues consisting of rental payments from the tenants and regular maintenance expenses as well as debt service payments on the mortgage.

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds (Continued)

State Housing Initiative Program (SHIP) – This fund was established to account for revenues and expenditures derived from a grant obtained from the State of Florida (the State). The purpose of the grant is for the City of Hialeah to provide affordable housing for its citizens. The City manages the grant and obtains reimbursements from the State after expenditures are incurred.

Children's Trust - This fund was established to account for revenues awarded by the Children's Trust to expand and enhance programs servicing the young community.

Emergency Disaster – This fund is used to administer funds received from the Federal Emergency Management Agency (FEMA) and the State of Florida Department of Community Affairs. All funds are passed through the Department of Community Affairs. Funds are received as reimbursements for expenditures caused by natural disasters (hurricanes, tropical storms, etc.). Once the President declares the area a national disaster area, the expenditures are submitted to the Department of Community Affairs for reimbursement from FEMA.

Urban Areas Security Grants – This fund was established to account for expenditures and revenues derived from an Interlocal Agreement entered into with Miami-Dade County, passed through from the State of Florida Department of Community Affairs. The purpose of the grant is for the City to carry out the Urban Areas Security Initiative (UASI) program objectives.

Building Better Communities – This fund was established to account for expenditures and revenues derived from a passed through grant from the Florida Recreation Development Assistance Program (FRDAP).

NONMAJOR GOVERNMENTAL FUNDS

Debt Service

Debt service funds are used to account for the resources accumulated and payments made for principal and interest on long term general obligation debt of governmental funds.

Debt Service – The City of Hialeah's Debt Service Fund accounts for the revenue bonds and related costs, which is funded by an operating transfer from Rescue Transportation User Fees Special Revenue Fund. The other debt service costs account for maintenance of the reserve account.

Capital Project Funds

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary fund and trust funds.

300 Units Development – The 300 Units Development Fund accounts for the construction of the 300 unit affordable housing projects. The loan proceeds from a loan from SunTrust and the expenses related to this project are accounted for in this fund.

Capital Improvement Construction Fund - The Capital Improvement Construction Fund is a capital projects fund which is used to account for expenditures incurred for building City projects.

Charter School Fund - The Charter School Fund is a capital projects fund which is used to account for expenditures incurred for building a charter school.

CITY OF HIALEAH, FLORIDA

NONMAJOR GOVERNMENTAL FUNDS COMBINING BALANCE SHEET SEPTEMBER 30, 2007

	Special Revenue										
	<u>Streets</u>	<u>Storm Water Utilities</u>	<u>Rescue Transportation</u>	<u>Fire Prevention Fund</u>	<u>E-911</u>	<u>E-911 Wireless Communication</u>	<u>Metro Medical Response System</u>	<u>Law Enforcement Trust</u>	<u>Hialeah-Dade Development County Grant</u>	<u>CDBG</u>	<u>WIA</u>
<u>ASSETS</u>											
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0	\$ -	\$ -	\$ -
Receivables, net	2,272,130	-	516,730	33,201	73,972	182,392	-	30,000	61,789	116,583	-
Due from other funds	2,426,650	772,940	64,034	944,082	-	1,058,509	227,592	-	-	2,388,334	491,981
Restricted cash and cash equivalents	-	-	3,305,394	990,081	-	-	-	565,857	-	-	-
Total assets	<u>\$ 4,698,780</u>	<u>\$ 772,940</u>	<u>\$ 3,886,158</u>	<u>\$ 1,967,364</u>	<u>\$ 73,972</u>	<u>\$ 1,240,901</u>	<u>\$ 227,592</u>	<u>\$ 595,857</u>	<u>\$ 61,789</u>	<u>\$ 2,504,917</u>	<u>\$ 491,981</u>
<u>LIABILITIES AND FUND BALANCES</u>											
Liabilities:											
Accounts payable and accrued liabilities	\$ 259,360	\$ 30,988	\$ 108,176	\$ 12,489	\$ 11,308	\$ 32,987	\$ -	\$ 14,166	\$ -	\$ 69,891	\$ 9,244
Due to other funds	1,210,578	-	2,569,824	1,165,013	62,664	-	-	257	61,789	49,984	-
Deferred revenues	210,093	-	-	-	-	-	-	-	-	2,385,042	482,737
Total liabilities	<u>1,680,031</u>	<u>30,988</u>	<u>2,678,000</u>	<u>1,177,502</u>	<u>73,972</u>	<u>32,987</u>	<u>-</u>	<u>14,423</u>	<u>61,789</u>	<u>2,504,917</u>	<u>491,981</u>
Fund balances:											
Reserved for encumbrances	3,018,749	21,785	35,432	22,847	-	74,959	29,106	2,550	-	-	-
Unreserved:											
Designated for:											
Future construction	-	-	-	-	-	1,132,955	-	-	-	-	-
Public safety	-	-	1,172,726	767,015	-	-	198,486	578,884	-	-	-
Undesignated	-	720,167	-	-	-	-	-	-	-	-	-
Total fund balances	<u>3,018,749</u>	<u>741,952</u>	<u>1,208,158</u>	<u>789,862</u>	<u>-</u>	<u>1,207,914</u>	<u>227,592</u>	<u>581,434</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 4,698,780</u>	<u>\$ 772,940</u>	<u>\$ 3,886,158</u>	<u>\$ 1,967,364</u>	<u>\$ 73,972</u>	<u>\$ 1,240,901</u>	<u>\$ 227,592</u>	<u>\$ 595,857</u>	<u>\$ 61,789</u>	<u>\$ 2,504,917</u>	<u>\$ 491,981</u>

CITY OF HIALEAH, FLORIDA

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
(Continued)

SEPTEMBER 30, 2007

	Special Revenue										
	Home Investment Partnership	Emergency Shelter Grant	Building Impact Fees	Affordable Housing	S.H.I.P.	Children's Trust	Emergency Disaster Relief	Urban Area Security Grants	Buffer Zone Protection Grant	Building Better Communities	Total
<u>ASSETS</u>											
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 584,832	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 584,832
Other receivables, net	-	10,806	-	-	-	432,524	-	652,084	70,014	9,987,966	14,440,191
Due from other funds	-	-	948,639	1,213	1,981,309	-	-	-	-	-	11,305,283
Restricted cash and cash equivalents	-	-	-	-	-	-	-	-	-	-	4,861,332
Total assets	<u>\$ -</u>	<u>\$ 10,806</u>	<u>\$ 948,639</u>	<u>\$ 586,045</u>	<u>\$ 1,981,309</u>	<u>\$ 432,524</u>	<u>\$ -</u>	<u>\$ 652,084</u>	<u>\$ 70,014</u>	<u>\$ 9,987,966</u>	<u>\$ 31,191,638</u>
<u>LIABILITIES AND FUND BALANCES</u>											
Liabilities:											
Accounts payable and accrued liabilities	\$ -	\$ 10,806	\$ 231,820	\$ 8,816	\$ 27,030	\$ 3,455	\$ -	\$ 61,929	\$ -	\$ 710,970	\$ 1,603,435
Due to other funds	-	-	-	478,022	-	424,306	-	589,794	70,014	8,805,796	15,488,041
Deferred revenues	-	-	-	21,150	1,954,279	-	-	-	-	471,200	5,524,501
Total liabilities	<u>-</u>	<u>10,806</u>	<u>231,820</u>	<u>507,988</u>	<u>1,981,309</u>	<u>427,761</u>	<u>-</u>	<u>651,723</u>	<u>70,014</u>	<u>9,987,966</u>	<u>22,615,977</u>
Fund balances:											
Reserved for encumbrances	-	-	390,735	1,088	-	4,763	-	361	-	-	3,602,375
Unreserved:											
Designated for:											
Future construction	-	-	326,084	-	-	-	-	-	-	-	1,459,039
Public safety	-	-	-	-	-	-	-	-	-	-	2,717,111
Undesignated	-	-	-	76,969	-	-	-	-	-	-	797,136
Total fund balances	<u>-</u>	<u>-</u>	<u>716,819</u>	<u>78,057</u>	<u>-</u>	<u>4,763</u>	<u>-</u>	<u>361</u>	<u>-</u>	<u>-</u>	<u>8,575,661</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 10,806</u>	<u>\$ 948,639</u>	<u>\$ 586,045</u>	<u>\$ 1,981,309</u>	<u>\$ 432,524</u>	<u>\$ -</u>	<u>\$ 652,084</u>	<u>\$ 70,014</u>	<u>\$ 9,987,966</u>	<u>\$ 31,191,638</u>

CITY OF HIALEAH, FLORIDA

NONMAJOR GOVERNMENTAL FUNDS COMBINING BALANCE SHEET (Continued)

SEPTEMBER 30, 2007

	<u>Debt Service</u>	<u>Capital Projects</u>	
	Debt Service Fund	300 Units Development	Capital Improvement Construction
<u>ASSETS</u>			Total Nonmajor Governmental Funds
Cash and cash equivalents	\$ -	\$ -	\$ -
Other receivables, net	-	-	-
Due from other funds	297,633	1,226,313	-
Restricted cash and cash equivalents	635,317	4,945,310	2,535,917
Total assets	<u>\$ 932,950</u>	<u>\$ 6,171,623</u>	<u>\$ 2,535,917</u>
			<u>\$ 40,832,128</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable and accrued liabilities	\$ 246,450	\$ 968,150	\$ 652,529
Due to other funds	-	-	-
Deferred revenues, net	-	-	-
Total liabilities	<u>246,450</u>	<u>968,150</u>	<u>652,529</u>
			<u>24,483,106</u>
Fund balances:			
Reserved for encumbrances	-	670,406	72,902
Unreserved:			
Designated for:			
Debt service	686,500	-	-
Future construction	-	4,533,067	1,810,486
Public safety	-	-	-
Undesignated	-	-	-
Total fund balances	<u>686,500</u>	<u>5,203,473</u>	<u>1,883,388</u>
Total liabilities and fund balances	<u>\$ 932,950</u>	<u>\$ 6,171,623</u>	<u>\$ 2,535,917</u>
			<u>\$ 40,832,128</u>

CITY OF HIALEAH, FLORIDA

NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FISCAL YEAR ENDED SEPTEMBER 30, 2007

	Special Revenue										
	Streets	Storm Water Utilities	Rescue Transportation	Fire Prevention Fund	E-911	E-911 Wireless Communication	Metro Medical Response System	Law Enforcement Trust	Hialeah-Dade Development County Grant	CDBG	WIA
Revenues:											
Utility taxes	\$ -	\$ 3,490,380	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-	-	-	-	-
State and local shared revenues	10,539,220	-	-	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	523,096	-	-	-
Interest	-	-	34,124	15,672	-	46,782	-	17,698	-	-	-
Government grants and other revenues	2,083,725	-	2,678,930	774,189	455,848	532,748	227,592	-	118,344	4,665,777	2,131,368
Total revenues	12,622,945	3,490,380	2,713,054	789,861	455,848	579,530	227,592	540,794	118,344	4,665,777	2,131,368
Expenditures:											
Current:											
General government	-	-	-	-	925,171	91,222	4,434	-	-	1,929,155	-
Police	-	-	-	-	-	-	-	345,026	-	-	-
Fire	-	-	995,948	607,724	-	-	-	-	-	-	-
Streets	3,521,871	2,017,572	-	-	-	-	-	-	-	-	-
Grants and human services	-	-	-	-	-	-	-	-	118,344	-	-
S.H.I.P. expenses	-	-	-	-	-	-	-	-	-	-	-
Work Investment Act programs	-	-	-	-	-	-	-	-	-	-	2,131,368
Capital outlay	5,372,298	757,965	1,076,131	335,502	-	128,192	62,791	61,079	-	2,296,291	-
Debt service:											
Principal	2,002,000	518,000	-	-	-	-	-	-	-	175,000	-
Interest	3,739,557	410,527	-	-	-	-	-	-	-	265,331	-
Total expenditures	14,635,726	3,704,064	2,072,079	943,226	925,171	219,414	67,225	406,105	118,344	4,665,777	2,131,368
Excess (deficiency) of revenues over expenditures	(2,012,781)	(213,684)	640,975	(153,365)	(469,323)	360,116	160,367	134,689	-	-	-
Other financing sources (uses):											
Transfers in	2,416,318	-	59,933	943,227	469,323	-	67,225	-	-	-	-
Transfers out	-	-	(321,540)	-	-	-	-	-	-	-	-
Debt Issued	-	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	2,416,318	-	(261,607)	943,227	469,323	-	67,225	-	-	-	-
Net change in fund balance	403,537	(213,684)	379,368	789,862	-	360,116	227,592	134,689	-	-	-
Fund balances, beginning	2,615,212	955,636	828,790	-	-	847,798	-	446,745	-	-	-
Fund balances, ending	\$ 3,018,749	\$ 741,952	\$ 1,208,158	\$ 789,862	\$ -	\$ 1,207,914	\$ 227,592	\$ 581,434	\$ -	\$ -	\$ -

CITY OF HIALEAH, FLORIDA

NONMAJOR GOVERNMENTAL FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (Continued)

FISCAL YEAR ENDED SEPTEMBER 30, 2007

	Special Revenue										
	Home Investment <u>Partnership</u>	Emergency Shelter <u>Grant</u>	Building Impact <u>Fees</u>	Affordable <u>Housing</u>	<u>S.H.I.P.</u>	Children's <u>Trust</u>	Emergency <u>Disaster</u>	Urban Area Security <u>Grants</u>	Buffer Zone Protection <u>Grant</u>	Building Better <u>Communities</u>	<u>Total</u>
Revenues:											
Utility taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,490,380
Licenses and permits	-	-	229,203	-	-	-	-	-	-	-	229,203
State and local shared revenues	-	-	-	-	-	-	-	-	-	-	10,539,220
Fines and forfeitures	-	-	-	-	-	-	-	-	-	-	523,096
Interest	-	-	-	26,212	-	-	-	-	-	-	140,488
Government grants and other revenues	<u>2,495,809</u>	<u>276,015</u>	<u>-</u>	<u>598,554</u>	<u>1,388,171</u>	<u>1,127,582</u>	<u>169,431</u>	<u>983,768</u>	<u>148,877</u>	<u>8,365,600</u>	<u>29,222,328</u>
Total revenues	<u>2,495,809</u>	<u>276,015</u>	<u>229,203</u>	<u>624,766</u>	<u>1,388,171</u>	<u>1,127,582</u>	<u>169,431</u>	<u>983,768</u>	<u>148,877</u>	<u>8,365,600</u>	<u>44,144,715</u>
Expenditures:											
Current:											
General government	-	-	-	365,706	-	-	169,431	-	-	-	3,485,119
Police	-	-	-	-	-	-	-	145,933	-	-	490,959
Fire	-	-	-	-	-	-	-	-	-	-	1,603,672
Streets	-	-	-	-	-	-	-	-	-	-	5,539,443
Grants and human services	1,005,698	276,015	-	-	-	1,046,452	-	-	-	-	2,446,509
S.H.I.P. expenses	-	-	-	-	1,388,171	-	-	-	-	-	1,388,171
Work Investment Act programs	-	-	-	-	-	-	-	-	-	-	2,131,368
Capital outlay	-	-	345,148	41,183	-	76,367	-	967,634	148,877	9,708,766	21,378,224
Debt service:											
Principal	-	-	-	5,950	-	-	-	-	-	-	2,700,950
Interest	-	-	-	3,157	-	-	-	-	-	-	4,418,572
Total expenditures	<u>1,005,698</u>	<u>276,015</u>	<u>345,148</u>	<u>415,996</u>	<u>1,388,171</u>	<u>1,122,819</u>	<u>169,431</u>	<u>1,113,567</u>	<u>148,877</u>	<u>9,708,766</u>	<u>45,582,987</u>
Excess (deficiency) of revenues over expenditures	<u>1,490,111</u>	<u>-</u>	<u>(115,945)</u>	<u>208,770</u>	<u>-</u>	<u>4,763</u>	<u>-</u>	<u>(129,799)</u>	<u>-</u>	<u>(1,343,166)</u>	<u>(1,438,272)</u>
Other financing sources (uses):											
Transfers in	-	-	-	-	-	-	-	-	-	-	3,956,026
Transfers out	(1,490,111)	-	-	(207,599)	-	-	-	-	-	-	(2,019,250)
Debt Issued	-	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>(1,490,111)</u>	<u>-</u>	<u>-</u>	<u>(207,599)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,936,776</u>
Net change in fund balance	-	-	(115,945)	1,171	-	4,763	-	(129,799)	-	(1,343,166)	498,504
Fund balances, beginning	-	-	832,764	76,886	-	-	-	130,160	-	1,343,166	8,077,157
Fund balances, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 716,819</u>	<u>\$ 78,057</u>	<u>\$ -</u>	<u>\$ 4,763</u>	<u>\$ -</u>	<u>\$ 361</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,575,661</u>

CITY OF HIALEAH, FLORIDA

NONMAJOR GOVERNMENTAL FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (Continued)

FISCAL YEAR ENDED SEPTEMBER 30, 2007

	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>
	Debt Service Fund	300 Units Development	Capital Improvement Construction
Revenues:			
Utility taxes	\$ -	\$ -	\$ -
Licenses and permits	-	-	-
State and local shared revenues	-	-	-
Fines and forfeitures	-	-	-
Interest	25,141	353,563	134,472
Government grants and other revenues	-	4,750,000	-
Total revenues	<u>25,141</u>	<u>5,103,563</u>	<u>134,472</u>
Expenditures:			
Current:			
General government	2,978	670	-
Police	-	-	-
Fire	-	-	-
Streets	-	-	-
Grants and human services	-	-	-
State housing initiative program	-	-	-
Work Investment Act programs	-	-	-
Capital outlay	-	15,193,962	860,339
Debt service:			
Principal	170,000	-	-
Interest	152,899	477,891	-
Total expenditures	<u>325,877</u>	<u>15,672,523</u>	<u>860,339</u>
Excess (deficiency) of revenues over expenditures	<u>(300,736)</u>	<u>(10,568,960)</u>	<u>(725,867)</u>
Other financing sources (uses):			
Transfers in	321,540	2,197,710	-
Transfers out	-	-	-
Debt issued	-	4,950,000	-
Total other financing sources (uses)	<u>321,540</u>	<u>7,147,710</u>	<u>-</u>
Net change in fund balance	20,804	(3,421,250)	(725,867)
Fund balances, beginning	665,696	8,624,723	2,609,255
Fund balances, ending	<u>\$ 686,500</u>	<u>\$ 5,203,473</u>	<u>\$ 1,883,388</u>

CITY OF HIALEAH, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND
FUND BALANCE-BUDGET AND ACTUAL
SPECIAL REVENUE FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2007

	Streets Transportation Fund				Storm Water Utilities			
	Budgeted Amounts			Variance with Final Budget Positive (Negative)	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual		Original	Final	Actual	
Revenues:								
Utility taxes	\$ -	\$ -	\$ -	\$ -	\$ 3,000,000	\$ 3,000,000	\$ 3,490,380	\$ 490,380
State and local shared revenues	10,553,502	10,553,502	10,539,220	(14,282)	-	-	-	-
Government grants and other revenues	3,340,000	3,340,000	2,083,725	(1,256,275)	-	-	-	-
Total revenues	<u>13,893,502</u>	<u>13,893,502</u>	<u>12,622,945</u>	<u>(1,270,557)</u>	<u>3,000,000</u>	<u>3,000,000</u>	<u>3,490,380</u>	<u>490,380</u>
Expenditures								
Streets	3,649,541	3,701,124	3,521,871	179,253	2,328,692	2,486,547	2,017,572	468,975
Capital outlay	6,440,000	7,026,968	5,372,298	1,654,670	960,000	993,366	757,965	235,401
Debt service	5,760,555	5,760,555	5,741,557	18,998	931,943	931,943	928,527	3,416
Total expenditures	<u>15,850,096</u>	<u>16,488,647</u>	<u>14,635,726</u>	<u>1,852,921</u>	<u>4,220,635</u>	<u>4,411,856</u>	<u>3,704,064</u>	<u>707,792</u>
Excess (deficiency) of revenues over expenditures	<u>(1,956,594)</u>	<u>(2,595,145)</u>	<u>(2,012,781)</u>	<u>582,364</u>	<u>(1,220,635)</u>	<u>(1,411,856)</u>	<u>(213,684)</u>	<u>1,198,172</u>
Other financing sources (uses):								
Appropriation of prior year fund balance	-	638,551	-	(638,551)	1,220,635	1,411,856	-	(1,411,856)
Transfers in	<u>1,956,594</u>	<u>1,956,594</u>	<u>2,416,318</u>	<u>459,724</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>1,956,594</u>	<u>2,595,145</u>	<u>2,416,318</u>	<u>(178,827)</u>	<u>1,220,635</u>	<u>1,411,856</u>	<u>-</u>	<u>(1,411,856)</u>
Net change in fund balance	-	-	403,537	<u>\$ 403,537</u>	-	-	(213,684)	<u>\$ (213,684)</u>
Fund balances - beginning	<u>-</u>	<u>-</u>	<u>2,615,212</u>		<u>-</u>	<u>-</u>	<u>955,636</u>	
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,018,749</u>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ 741,952</u>	

CITY OF HIALEAH, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND
FUND BALANCE-BUDGET AND ACTUAL
SPECIAL REVENUE FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2007

	Rescue Transporation				Fire Prevention Fund			
	Budgeted Amounts			Variance with Final Budget Positive (Negative)	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual		Original	Final	Actual	
Revenues:								
Interest	\$ 25,000	\$ 25,000	\$ 34,124	\$ 9,124	\$ -	\$ -	\$ 15,672	\$ 15,672
Government grants and other revenues	2,842,659	2,842,659	2,678,930	(163,729)	1,597,417	1,597,417	774,189	(823,228)
Total revenues	2,867,659	2,867,659	2,713,054	(154,605)	1,597,417	1,597,417	789,861	(807,556)
Expenditures								
Fire	1,137,824	1,192,319	995,948	196,371	1,197,417	1,197,417	607,724	589,693
Capital outlay	1,462,831	1,462,831	1,076,131	386,700	400,000	400,000	335,502	64,498
Debt service	321,540	321,540	-	321,540	-	-	-	-
Total expenditures	2,922,195	2,976,690	2,072,079	904,611	1,597,417	1,597,417	943,226	654,191
Excess (deficiency) of revenues over expenditures	(54,536)	(109,031)	640,975	750,006	-	-	(153,365)	(153,365)
Other financing sources (uses):								
Appropriation of prior year fund balance	54,536	109,031	-	(109,031)	-	-	-	-
Transfers in	-	-	59,933	59,933	-	-	943,227	943,227
Transfers out	-	-	(321,540)	(321,540)	-	-	-	-
Total other financing sources (uses)	54,536	109,031	(261,607)	(370,638)	-	-	943,227	943,227
Net change in fund balance	-	-	379,368	\$ 379,368	-	-	789,862	\$ 789,862
Fund balances - beginning	-	-	828,790		-	-	-	
Fund balances - ending	\$ -	\$ -	\$ 1,208,158		\$ -	\$ -	\$ 789,862	

CITY OF HIALEAH, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND
FUND BALANCE-BUDGET AND ACTUAL
SPECIAL REVENUE FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2007

	E-911				E-911 Wireless Communication			
	Budgeted Amounts			Variance with Final Budget Positive (Negative)	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual		Original	Final	Actual	
Revenues:								
Interest	\$ -	\$ -	\$ -	\$ -	\$ 10,000	\$ 10,000	\$ 46,782	\$ 36,782
Government grants and other revenues	606,000	606,000	455,848	(150,152)	350,000	350,000	532,748	182,748
Total revenues	606,000	606,000	455,848	(150,152)	360,000	360,000	579,530	219,530
Expenditures								
General government	606,000	606,000	925,171	(319,171)	589,174	589,438	91,222	498,216
Capital outlay	-	-	-	-	461,588	461,588	128,192	333,396
Total expenditures	606,000	606,000	925,171	(319,171)	1,050,762	1,051,026	219,414	831,612
Excess (deficiency) of revenues over expenditures	-	-	(469,323)	(469,323)	(690,762)	(691,026)	360,116	1,051,142
Other financing sources (uses):								
Appropriation of prior year fund balance	-	-	-	-	690,762	691,026	-	(691,026)
Transfers in	-	-	469,323	469,323	-	-	-	-
Total other financing sources (uses)	-	-	469,323	469,323	690,762	691,026	-	(691,026)
Net change in fund balance	-	-	-	\$ -	-	-	360,116	\$ 360,116
Fund balances - beginning	-	-	-		-	-	847,798	
Fund balances - ending	\$ -	\$ -	\$ -		\$ -	\$ -	\$ 1,207,914	

CITY OF HIALEAH, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND
FUND BALANCE-BUDGET AND ACTUAL
SPECIAL REVENUE FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2007

	Metro Medical Response System				Law Enforcement Trust			
	Budgeted Amounts			Variance with Final Budget Positive (Negative)	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual		Original	Final	Actual	
Revenues:								
Fines and forfeitures	\$ -	\$ -	\$ -	\$ -	\$ 599,095	\$ 599,095	\$ 523,096	\$ (75,999)
Interest	-	-	-	-	-	-	17,698	17,698
Government grants and other revenues	<u>709,827</u>	<u>709,827</u>	<u>227,592</u>	<u>(482,235)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>709,827</u>	<u>709,827</u>	<u>227,592</u>	<u>(482,235)</u>	<u>599,095</u>	<u>599,095</u>	<u>540,794</u>	<u>(58,301)</u>
Expenditures								
General government	319,239	319,239	4,434	314,805	-	-	-	-
Police	-	-	-	-	354,376	354,376	345,026	9,350
Capital outlay	390,588	390,588	62,791	327,797	244,719	244,719	61,079	183,640
Debt service	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>709,827</u>	<u>709,827</u>	<u>67,225</u>	<u>642,602</u>	<u>599,095</u>	<u>599,095</u>	<u>406,105</u>	<u>192,990</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>160,367</u>	<u>160,367</u>	<u>-</u>	<u>-</u>	<u>134,689</u>	<u>134,689</u>
Other financing sources (uses):								
Transfers in	<u>-</u>	<u>-</u>	<u>67,225</u>	<u>67,225</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>67,225</u>	<u>67,225</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	-	227,592	<u>\$ 227,592</u>	-	-	134,689	<u>\$ 134,689</u>
Fund balances - beginning	<u>-</u>	<u>-</u>	<u>-</u>		<u>-</u>	<u>-</u>	<u>446,745</u>	
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 227,592</u>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ 581,434</u>	

CITY OF HIALEAH, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND
FUND BALANCE-BUDGET AND ACTUAL
SPECIAL REVENUE FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2007

	Affordable Housing				Children's Trust			
	Budgeted Amounts			Variance with Final Budget Positive (Negative)	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual		Original	Final	Actual	
Revenues:								
Interest	\$ 10,000	\$ 10,000	\$ 26,212	\$ 16,212	\$ -	\$ -	\$ -	\$ -
Government grants and other revenues	598,460	598,460	598,554	94	949,000	2,354,500	1,127,582	(1,226,918)
Total revenues	608,460	608,460	624,766	16,306	949,000	2,354,500	1,127,582	(1,226,918)
Expenditures								
General government	909,196	920,509	365,706	554,803	-	-	-	-
Grants and human services					938,376	2,222,500	1,046,452	1,176,048
Capital Outlay	45,793	51,586	41,183	10,403	10,624	132,000	76,367	55,633
Debt service	9,107	9,107	9,107	-	-	-	-	-
Total expenditures	964,096	981,202	415,996	565,206	949,000	2,354,500	1,122,819	1,231,681
Excess (deficiency) of revenues over expenditures	(355,636)	(372,742)	208,770	581,512	-	-	4,763	4,763
Other financing sources (uses):								
Appropriation of prior year fund balance	355,636	372,742	-	(372,742)	-	-	-	-
Transfers out	-	-	(207,599)	(207,599)	-	-	-	-
Total other financing sources (uses)	355,636	372,742	(207,599)	(580,341)	-	-	-	-
Net change in fund balance	-	-	1,171	\$ 1,171	-	-	4,763	\$ 4,763
Fund balances - beginning	-	-	76,886		-	-	-	
Fund balances - ending	\$ -	\$ -	\$ 78,057		\$ -	\$ -	\$ 4,763	

CITY OF HIALEAH, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND
FUND BALANCE-BUDGET AND ACTUAL
SPECIAL REVENUE FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2007

	Urban Area Security Grants				Building Better Communities			
	Budgeted Amounts			Variance with Final Budget Positive (Negative)	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual		Original	Final	Actual	
Revenues:								
Government grants and other revenues	\$ 2,237,200	\$ 2,237,200	\$ 983,768	\$ (1,253,432)	\$ 6,775,000	\$ 16,194,287	\$ 8,365,600	\$ (7,828,687)
Total revenues	<u>2,237,200</u>	<u>2,237,200</u>	<u>983,768</u>	<u>(1,253,432)</u>	<u>6,775,000</u>	<u>16,194,287</u>	<u>8,365,600</u>	<u>(7,828,687)</u>
Expenditures								
Police	643,200	643,200	145,933	497,267	-	-	-	-
Capital Outlay	1,594,000	1,594,000	967,634	626,366	6,775,000	17,528,654	9,708,766	7,819,888
Total expenditures	<u>2,237,200</u>	<u>2,237,200</u>	<u>1,113,567</u>	<u>1,123,633</u>	<u>6,775,000</u>	<u>17,528,654</u>	<u>9,708,766</u>	<u>7,819,888</u>
Excess (deficiency) of revenues over expenditures	-	-	(129,799)	(129,799)	-	(1,334,367)	(1,343,166)	(8,799)
Other financing sources (uses):								
Appropriation of prior year fund balance	-	-	-	-	-	1,334,367	-	(1,334,367)
Transfers in	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,334,367</u>	<u>-</u>	<u>(1,334,367)</u>
Net change in fund balance	-	-	(129,799)	<u>\$ (129,799)</u>	-	-	(1,343,166)	<u>\$ (1,343,166)</u>
Fund balances - beginning	-	-	130,160		-	-	1,343,166	
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 361</u>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	

CITY OF HIALEAH, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND
FUND BALANCE-BUDGET AND ACTUAL
SPECIAL REVENUE FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2007

	Building Impact Fees			
	Budgeted Amounts			Variance with Final Budget Positive Negative
	Original	Final	Actual	
Revenues:				
Licenses and permits	\$ 1,500,000	\$ 1,500,000	\$ 229,203	\$ (1,270,797)
Total revenues	1,500,000	1,500,000	229,203	(1,270,797)
Expenditures				
Capital Outlay	1,500,000	1,500,000	345,148	1,154,852
Total expenditures	1,500,000	1,500,000	345,148	1,154,852
Excess (deficiency) of revenues over expenditures	-	-	(115,945)	(115,945)
Fund balances - beginning	-	-	832,764	
Fund balances - ending	\$ -	\$ -	\$ 716,819	

CITY OF HIALEAH, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND
FUND BALANCE-BUDGET AND ACTUAL
CAPITAL PROJECT FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2007

	300 Units Development				Capital Improvement Construction			
	Budgeted Amounts			Variance with Final Budget Positive (Negative)	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual		Original	Final	Actual	
Revenues:								
Interest	\$ -	\$ -	\$ 353,563	\$ 353,563	\$ -	\$ -	\$ -	\$ -
Government grants and other revenues	3,400,000	3,400,000	4,750,000	1,350,000	-	-	134,472	134,472
Total revenues	3,400,000	3,400,000	5,103,563	1,703,563	-	-	134,472	134,472
Expenditures								
General government	-	-	670	(670)	-	-	-	-
Capital Outlay	10,031,000	10,065,023	15,193,962	(5,128,939)	-	885,897	860,339	25,558
Debt service	-	-	477,891	(477,891)	-	-	-	-
Total expenditures	10,031,000	10,065,023	15,672,523	(5,607,500)	-	885,897	860,339	25,558
Excess (deficiency) of revenues over expenditures	(6,631,000)	(6,665,023)	(10,568,960)	(3,903,937)	-	(885,897)	(725,867)	160,030
Other financing sources (uses):								
Appropriation of prior year fund balance	-	34,023	-	(34,023)	-	885,897	-	(885,897)
Debt issued	4,631,000	4,631,000	4,950,000	319,000	-	-	-	-
Transfers in	2,000,000	2,000,000	2,197,710	197,710	-	-	-	-
Total other financing sources (uses)	6,631,000	6,665,023	7,147,710	482,687	-	885,897	-	(885,897)
Net change in fund balance	-	-	(3,421,250)	\$ (3,421,250)	-	-	(725,867)	\$ (725,867)
Fund balances - beginning	-	-	8,624,723		-	-	2,609,255	
Fund balances - ending	\$ -	\$ -	\$ 5,203,473		\$ -	\$ -	\$ 1,883,388	

FIDUCIARY FUNDS

CITY OF HIALEAH, FLORIDA
FIDUCIARY FUNDS
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
SEPTEMBER 30, 2007

	Employees' Retirement <u>System</u>	Elected Officials' Retirement <u>System</u>	Excess Benefit <u>Fund</u>	<u>Total</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ 22,587,630	\$ 767,570	\$ -	\$ 23,355,200
Securities lending cash collateral	106,999,940	-	-	106,999,940
Receivables:				
Accrued interest	2,279,249	-	-	2,279,249
Accrued dividends	279,560	-	-	279,560
Fraud recovery	345,694	-	-	345,694
Due from other funds	-	213,569	-	213,569
Employer and employee contributions	437,819	-	-	437,819
Investments sold	1,821,749	-	-	1,821,749
Total receivables	5,164,071	213,569	-	5,377,640
Investments, at fair value:				
U.S. Treasury bonds and notes	28,983,683	-	-	28,983,683
U.S. Government securities	57,701,680	3,554,774	-	61,256,454
Asset backed securities	10,851,837	-	-	10,851,837
Mortgage backed securities	104,690,518	-	-	104,690,518
Corporate bonds and notes	59,498,093	-	-	59,498,093
Common stocks	284,192,749	-	-	284,192,749
Total investments	545,918,560	3,554,774	-	549,473,334
Loans to members	8,002,619	-	-	8,002,619
Total assets	688,672,820	4,535,913	-	693,208,733
<u>LIABILITIES AND NET ASSETS</u>				
Obligations under securities lending	106,999,940	-	-	106,999,940
Due to retired participants	38,171,562	-	-	38,171,562
Investments purchased	2,975,495	-	-	2,975,495
Accounts payable and accrued liabilities	765,709	28,034	-	793,743
DROP payable	52,824	-	-	52,824
Total liabilities	148,965,530	28,034	-	148,993,564
Net assets held in trust for pension benefits	\$ 539,707,290	\$ 4,507,879	\$ -	\$ 544,215,169

CITY OF HIALEAH, FLORIDA

FIDUCIARY FUNDS COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS FISCAL YEAR ENDED SEPTEMBER 30, 2007

	Employees' Retirement <u>System</u>	Elected Officials' Retirement <u>System</u>	Excess Benefit <u>Fund</u>	<u>Total</u>
ADDITIONS				
Contributions:				
Employer	\$ 13,968,110	\$ 500,000	\$ 131,177	\$ 14,599,287
Employee	5,931,989	-	-	5,931,989
State	461,875	-	-	461,875
Total contributions	<u>20,361,974</u>	<u>500,000</u>	<u>131,177</u>	<u>20,993,151</u>
Investment income:				
Net appreciation in fair value of investments	20,684,001	-	-	20,684,001
Investment earnings	<u>38,882,818</u>	<u>250,775</u>	<u>-</u>	<u>39,133,593</u>
	59,566,819	250,775	-	59,817,594
Less investment expenses	<u>1,049,935</u>	<u>5,800</u>	<u>-</u>	<u>1,055,735</u>
Net investment income	<u>58,516,884</u>	<u>244,975</u>	<u>-</u>	<u>58,761,859</u>
Total additions	<u>78,878,858</u>	<u>744,975</u>	<u>131,177</u>	<u>79,755,010</u>
DEDUCTIONS				
Pension benefits	31,512,552	158,082	131,177	31,801,811
Refunds of contributions	10,462,853	-	-	10,462,853
DROP payments	<u>52,824</u>	<u>-</u>	<u>-</u>	<u>52,824</u>
Total deductions	<u>42,028,229</u>	<u>158,082</u>	<u>131,177</u>	<u>42,317,488</u>
Net increase	36,850,629	586,893	-	37,437,522
Net assets held in trust for pension benefits:				
Beginning (restated) NOTE 15.	<u>502,856,661</u>	<u>3,920,986</u>	<u>-</u>	<u>506,777,647</u>
Ending	<u>\$ 539,707,290</u>	<u>\$ 4,507,879</u>	<u>\$ -</u>	<u>\$ 544,215,169</u>

STATISTICAL SECTION

STATISTICAL SECTION

This part of the City of Hialeah's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

<u>Contents</u>	<u>Page</u>
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time. These schedules include:	83-86
Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	87-90
Debt Capacity These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	91-93
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	94-95
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	96-98

CITY OF HIALEAH, FLORIDA

NET ASSETS BY COMPONENT

LAST SIX FISCAL YEARS

(ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year					
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Governmental activities:						
Invested in capital assets, net of related debt	\$ 113,072,756	\$ 105,547,406	\$ 139,547,580	\$ 146,261,556	\$ 157,977,858	\$ 183,501,680
Restricted	3,605,911	56,474,421	29,348,182	9,328,761	1,723,358	14,711,001
Unrestricted	<u>(21,802,169)</u>	<u>(64,599,363)</u>	<u>(64,551,849)</u>	<u>(37,031,548)</u>	<u>(31,280,078)</u>	<u>(54,265,285)</u>
Total governmental activities net assets	<u>94,876,498</u>	<u>97,422,464</u>	<u>104,343,913</u>	<u>118,558,769</u>	<u>128,421,138</u>	<u>143,947,396</u>
Business-type activities:						
Invested in capital assets, net of related debt	59,117,989	62,845,181	64,691,989	68,886,789	106,282,295	79,156,300
Restricted	7,400,113	7,414,430	7,387,298	7,473,034	7,606,961	21,446,086
Unrestricted	<u>34,292,786</u>	<u>38,787,797</u>	<u>43,176,594</u>	<u>34,327,360</u>	<u>3,112,053</u>	<u>26,479,228</u>
Total business-type activities net assets	<u>100,810,888</u>	<u>109,047,408</u>	<u>115,255,881</u>	<u>110,687,183</u>	<u>117,001,309</u>	<u>127,081,614</u>
Total government:						
Invested in capital assets, net of related debt	172,190,745	168,392,587	204,239,569	215,148,345	264,260,153	262,657,980
Restricted	11,006,024	63,888,851	36,735,480	16,801,795	9,330,319	36,157,087
Unrestricted	<u>12,490,617</u>	<u>(25,811,566)</u>	<u>(21,375,255)</u>	<u>(2,704,188)</u>	<u>(28,168,025)</u>	<u>(27,786,057)</u>
Total government net assets	<u>\$ 195,687,386</u>	<u>\$ 206,469,872</u>	<u>\$ 219,599,794</u>	<u>\$ 229,245,952</u>	<u>\$ 245,422,447</u>	<u>\$ 271,029,010</u>

Note: Data not available prior to fiscal 2002 implementation of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.

CITY OF HIALEAH, FLORIDA

CHANGES IN NET ASSETS

LAST SIX FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year					
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Expenses:						
Governmental activities:						
General government	\$ 43,598,739	\$ 47,545,513	\$ 51,746,450	\$ 55,582,787	\$ 65,290,102	\$ 65,326,837
Police	29,595,541	32,377,628	34,840,112	38,558,035	37,743,976	42,209,396
Fire	21,633,308	22,940,682	24,501,409	27,400,080	28,371,023	32,354,377
Streets	10,065,320	11,956,652	11,404,971	12,140,825	13,049,483	12,593,306
Recreation and community services	10,089,085	11,106,559	11,201,682	11,838,894	12,357,830	13,128,189
Interest on long-term debt	1,547,169	1,245,786	3,791,259	4,464,526	5,187,625	5,491,719
Total governmental activities	<u>116,529,162</u>	<u>127,172,820</u>	<u>137,485,883</u>	<u>149,985,147</u>	<u>162,000,039</u>	<u>171,103,824</u>
Business-type activities:						
Water & sewer	37,441,440	35,101,318	37,448,005	39,891,188	37,231,951	35,859,160
Solid waste	12,643,480	12,935,775	14,157,722	15,720,554	15,144,955	14,715,629
Hialeah circulator	83,186	1,524,551	1,630,465	1,762,968	2,039,987	1,901,689
Total business-type activities	<u>50,168,106</u>	<u>49,561,644</u>	<u>53,236,192</u>	<u>57,374,710</u>	<u>54,416,892</u>	<u>52,476,478</u>
Total government expenses	<u>\$ 166,697,268</u>	<u>\$ 176,734,464</u>	<u>\$ 190,722,075</u>	<u>\$ 207,359,857</u>	<u>\$ 216,416,931</u>	<u>\$ 223,580,302</u>
Program revenues:						
Governmental activities:						
Charges for services:						
General government	\$ 14,011,192	\$ 14,425,002	\$ 14,232,618	\$ 14,562,835	\$ 18,884,163	\$ 10,990,136
Police	2,122,862	1,846,327	1,645,080	2,130,207	1,780,920	2,063,068
Fire	-	-	-	-	-	3,428,353
Streets	-	-	-	-	-	28,973
Recreation and community services	-	-	-	-	-	1,743,647
Operating grants and contributions	28,526,856	22,164,441	22,854,144	26,739,915	34,698,127	11,346,564
Capital grants and contributions	-	-	-	-	-	22,174,756
Total governmental activities program revenues	<u>44,660,910</u>	<u>38,435,770</u>	<u>38,731,842</u>	<u>43,432,957</u>	<u>55,363,210</u>	<u>51,775,497</u>
Business-type activities:						
Charges for services:						
Water & sewer	43,804,682	41,823,746	42,850,159	40,940,748	42,901,913	40,836,360
Solid waste	12,503,091	13,122,644	13,481,909	12,531,995	12,492,877	12,853,239
Hialeah circulator	-	1,596,850	1,856,442	2,325,368	1,924,770	1,947,693
Operating grants and contributions	547,326	845,263	302,726	597,541	457,207	-
Capital grants and contributions	14,619	14,759	84,210	308,954	356,111	3,557,718
Total business-type activities program revenues	<u>56,869,718</u>	<u>57,403,262</u>	<u>58,575,446</u>	<u>56,704,606</u>	<u>58,132,878</u>	<u>59,195,010</u>
Total program revenues	<u>\$ 101,530,628</u>	<u>\$ 95,839,032</u>	<u>\$ 97,307,288</u>	<u>\$ 100,137,563</u>	<u>\$ 113,496,088</u>	<u>\$ 110,970,507</u>
Net (expense) revenue:						
Governmental activities	\$ (71,868,252)	\$ (88,737,050)	\$ (98,754,041)	\$ (106,552,190)	\$ (106,636,829)	\$ (119,328,327)
Business-type activities	<u>6,701,612</u>	<u>7,841,618</u>	<u>5,339,254</u>	<u>(670,104)</u>	<u>3,715,986</u>	<u>6,718,532</u>
Total net expense	<u>\$ (65,166,640)</u>	<u>\$ (80,895,432)</u>	<u>\$ (93,414,787)</u>	<u>\$ (107,222,294)</u>	<u>\$ (102,920,843)</u>	<u>\$ (112,609,795)</u>
General revenues:						
Governmental activities:						
Taxes:						
Property taxes	\$ 39,840,108	\$ 41,845,482	\$ 46,352,850	\$ 48,983,038	\$ 54,405,056	\$ 61,549,502
Utility taxes	23,329,898	22,134,216	22,585,048	23,268,653	24,007,854	24,769,883
State and local shared revenue	23,813,085	29,432,234	30,952,329	36,963,680	35,372,486	34,202,926
Franchise fees on gross receipts	-	-	-	-	-	11,929,276
Unrestricted interest	1,861,707	883,331	835,245	1,532,057	2,413,802	2,402,998
Transfers	800,000	800,000	-	397,600	-	-
Total governmental activities	<u>89,644,798</u>	<u>95,095,263</u>	<u>100,725,472</u>	<u>111,145,028</u>	<u>116,199,198</u>	<u>134,854,585</u>
Business-type activities:						
Grants and contributions not restricted to specific program	1,996,778	1,194,901	869,218	1,520,798	2,598,140	3,361,773
Transfers	<u>(800,000)</u>	<u>(800,000)</u>	<u>-</u>	<u>(397,600)</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>1,196,778</u>	<u>394,901</u>	<u>869,218</u>	<u>1,123,198</u>	<u>2,598,140</u>	<u>3,361,773</u>
Total general revenues	<u>\$ 90,841,576</u>	<u>\$ 95,490,164</u>	<u>\$ 101,594,690</u>	<u>\$ 112,268,226</u>	<u>\$ 118,797,338</u>	<u>\$ 138,216,358</u>
Change in net assets:						
Governmental activities	\$ 17,776,546	\$ 6,358,213	\$ 1,971,431	\$ 4,592,838	\$ 9,562,369	\$ 15,526,258
Business-type activities	<u>7,898,390</u>	<u>8,236,519</u>	<u>6,208,472</u>	<u>453,094</u>	<u>6,314,126</u>	<u>10,080,305</u>
Total change in net assets	<u>\$ 25,674,936</u>	<u>\$ 14,594,732</u>	<u>\$ 8,179,903</u>	<u>\$ 5,045,932</u>	<u>\$ 15,876,495</u>	<u>\$ 25,606,563</u>

Note: Data not available prior to fiscal 2002 implementation of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.

CITY OF HIALEAH, FLORIDA

FUND BALANCES OF GOVERNMENTAL FUNDS

LAST SIX FISCAL YEARS

(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year					
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
General fund:						
Reserved	\$ 2,183,527	\$ 879,048	\$ 1,236,079	\$ 2,121,649	\$ 2,742,507	\$ 5,927,352
Unreserved	<u>24,079,207</u>	<u>27,120,761</u>	<u>26,263,043</u>	<u>30,041,079</u>	<u>30,307,855</u>	<u>23,768,425</u>
Total general fund	<u>26,262,734</u>	<u>27,999,809</u>	<u>27,499,122</u>	<u>32,162,728</u>	<u>33,050,362</u>	<u>29,695,777</u>
All other governmental funds:						
Reserved	1,422,384	8,851,406	3,674,875	10,177,921	3,351,691	4,345,683
Unreserved, reported in:						
Public safety	-	-	-	-	-	2,717,111
Special revenue funds	5,495,409	4,410,202	7,251,466	4,821,936	5,645,387	797,136
Capital projects fund	(413,568)	26,058,441	3,462,645	9,080,636	10,314,057	7,802,592
Debt service fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>665,696</u>	<u>686,500</u>
Total all other governmental funds	<u>6,504,225</u>	<u>39,320,049</u>	<u>14,388,986</u>	<u>24,080,493</u>	<u>19,976,831</u>	<u>16,349,022</u>
Total governmental funds	<u>\$ 32,766,959</u>	<u>\$ 67,319,858</u>	<u>\$ 41,888,108</u>	<u>\$ 56,243,221</u>	<u>\$ 53,027,193</u>	<u>\$ 46,044,799</u>

Note: Data not available prior to fiscal 2002 implementation of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.

CITY OF HIALEAH, FLORIDA

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

LAST SIX FISCAL YEARS

(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year					
	2002	2003	2004	2005	2006	2007
Revenues:						
Ad valorem taxes	\$ 39,840,108	\$ 41,845,484	\$ 46,352,850	\$ 48,983,038	\$ 54,289,694	\$ 61,549,502
Utility taxes	23,329,898	22,134,216	22,585,048	23,268,651	23,752,852	24,769,883
Franchise taxes	7,692,273	8,211,709	8,863,712	9,062,308	11,098,497	11,929,276
Licenses and permits	5,671,404	5,565,777	5,368,906	5,500,527	7,785,664	6,774,381
State and local shared revenues	23,813,085	29,432,237	30,952,329	36,963,680	35,372,486	34,277,457
Fines and forfeitures	2,122,863	1,846,326	1,645,081	2,130,206	1,780,919	2,001,490
Hialeah race course lease	647,515	647,515	-	-	-	-
Interest	1,859,908	883,332	835,246	1,461,075	2,594,270	2,402,998
Government grants and other revenues	28,288,277	22,314,660	22,854,146	26,739,917	34,813,492	41,541,262
Total revenues	<u>133,265,331</u>	<u>132,881,256</u>	<u>139,457,318</u>	<u>154,109,402</u>	<u>171,487,874</u>	<u>185,246,249</u>
Expenditures:						
Current:						
General government	24,486,772	25,927,134	29,350,162	30,382,986	43,422,682	32,294,210
Police	28,611,302	31,392,967	33,922,021	35,631,207	37,491,043	40,605,970
Fire	21,010,237	22,300,509	23,708,883	25,134,687	27,735,665	30,821,396
Streets	4,755,396	5,569,831	4,936,659	5,153,437	5,581,116	5,539,443
Grants and human services	1,055,177	1,133,005	603,935	1,117,650	1,064,881	2,446,509
State housing initiative expenses	1,305,904	1,266,610	1,280,397	1,690,485	686,690	1,388,171
Work investment act programs	1,960,514	1,910,697	1,838,914	1,843,001	2,121,473	2,131,368
City Clerk's office	935,630	1,073,200	1,364,631	1,217,191	1,295,503	1,112,082
Office of Management and Budget	300,298	311,318	358,042	499,740	596,364	753,186
Office of the Mayor	510,635	540,311	497,118	559,109	675,196	714,702
Communications and special events	-	-	-	-	-	941,837
Employee retirement	418,449	442,392	484,357	467,835	483,995	455,229
Library	1,374,704	1,615,478	1,769,335	1,854,187	2,067,074	1,743,219
Compliance division	482,642	417,583	417,126	469,331	544,655	535,830
Finance	685,732	672,957	697,412	738,228	778,099	890,882
Division of licenses	355,899	409,197	361,965	352,958	386,085	397,628
Information systems	578,067	672,018	528,572	841,477	887,225	1,109,924
Fleet maintenance	1,851,115	1,881,045	1,945,836	2,046,240	2,291,796	2,107,047
Construction and maintenance	1,918,975	2,054,030	2,088,170	2,292,005	2,656,957	2,876,541
Recreation and community services	9,227,272	10,195,983	10,270,811	10,114,055	11,313,187	10,399,244
Planning and development	1,685,782	1,799,826	1,962,264	2,199,219	2,630,981	3,135,389
Adult center	-	-	-	-	-	1,675,303
Law	678,808	718,858	752,522	797,968	889,820	965,169
Risk management	176,276	348,490	344,802	401,699	432,882	578,003
Human resources	545,610	525,478	591,529	868,676	905,862	838,335
Other expenditures	21,594	7,253	-	-	-	-
Capital outlay	27,540,072	32,070,880	38,657,443	44,547,773	30,479,617	42,096,354
Debt service:						
Principal	3,570,729	2,004,845	2,307,898	2,577,312	515,987	3,113,294
Interest and other fiscal charges	2,114,613	3,798,231	3,848,268	4,365,428	6,799,067	5,512,378
Total expenditures	<u>138,158,204</u>	<u>151,060,126</u>	<u>164,889,072</u>	<u>178,163,884</u>	<u>184,733,902</u>	<u>197,178,643</u>
Excess (deficiency) of revenues over expenditures	<u>(4,892,873)</u>	<u>(18,178,870)</u>	<u>(25,431,754)</u>	<u>(24,054,482)</u>	<u>(13,246,028)</u>	<u>(11,932,394)</u>
Other financing sources (uses):						
Debt issued	-	48,135,000	-	29,996,745	10,030,000	4,950,000
Premium on debt	-	1,861,747	-	-	-	-
Transfers in	3,915,584	2,207,614	561,490	2,211,137	4,388,554	6,475,276
Transfers out	<u>(3,115,584)</u>	<u>(1,407,614)</u>	<u>(561,490)</u>	<u>(1,813,537)</u>	<u>(4,388,554)</u>	<u>(6,475,276)</u>
Total other financing sources (uses)	<u>800,000</u>	<u>50,796,747</u>	<u>-</u>	<u>30,394,345</u>	<u>10,030,000</u>	<u>4,950,000</u>
Net change in fund balances	<u>\$ (4,092,873)</u>	<u>\$ 32,617,877</u>	<u>\$ (25,431,754)</u>	<u>\$ 6,339,863</u>	<u>\$ (3,216,028)</u>	<u>\$ (6,982,394)</u>
Debt service as a percentage of non-capital expenditures	4.12%	3.84%	3.73%	3.90%	3.96%	4.37%

Note: Data not available prior to fiscal 2002 implementation of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.

CITY OF HIALEAH, FLORIDA

NET ASSESSED VALUE OF TAXABLE PROPERTY

LAST TEN FISCAL YEARS

Fiscal Year Ended <u>September 30.</u>	Real <u>Property</u>	Personal <u>Property</u>	Centrally <u>Assessed</u>	Total Net Assessed <u>Value</u>	Total Direct <u>Tax Rate</u>
1998	\$ 4,268,127,629	\$ 546,668,761	\$ 3,646,294	\$ 4,818,442,684	7.4810
1999	4,380,792,341	555,658,780	3,677,038	4,940,128,159	7.4810
2000	4,638,928,250	548,920,342	5,314,500	5,193,163,092	7.4810
2001	4,662,790,101	576,998,953	5,002,900	5,244,791,954	7.5280
2002	4,960,051,499	582,924,525	4,739,888	5,547,715,912	7.5280
2003	5,276,571,866	567,960,412	4,820,236	5,849,352,514	7.5280
2004	5,926,022,316	584,659,729	4,687,473	6,515,369,518	7.5280
2005	6,670,557,535	588,805,658	4,649,909	7,264,013,102	7.1000
2006	7,907,932,115	619,146,007	5,884,955	8,532,963,077	6.8000
2007	9,001,150,803	625,028,036	6,671,929	9,632,850,768	6.8000

Note: Property in the City is reassessed each year. Property is assessed at actual value, therefore, the assessed values are equal to actual value. Tax rates are per \$1,000 of assessed value.

Source: Miami-Dade County Property Appraiser's Office.

CITY HIALEAH, FLORIDA

PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS

LAST TEN FISCAL YEARS

		Overlapping Rates (1)										
		Miami-Dade										
City of Hialeah		Miami-Dade County			County School Board							Total
			Debt	Total		Debt	Total	Water				Direct and
Fiscal	Operating	Operating	Service	County	Operating	Service	School	Management	Special	Children's	Everglades	Overlapping
Year	Millage	Millage	Millage	Millage	Millage	Millage	Millage	District	District	Trust	C.P.	Rates
1998	7.4810	6.0230	0.9290	6.9520	9.3560	1.1060	10.4620	0.6220	0.0500	0.0000	0.1000	25.6670
1999	7.4810	6.0230	0.8370	6.8600	9.1820	0.9780	10.1600	0.6220	0.0470	0.0000	0.1000	25.2700
2000	7.4810	5.8090	0.8160	6.6250	8.6540	0.9900	9.6440	0.5970	0.0440	0.0000	0.1000	24.4910
2001	7.5280	5.7510	0.6520	6.4030	8.7020	0.9150	9.6170	0.5970	0.0410	0.0000	0.1000	24.2860
2002	7.5280	5.7130	0.5520	6.2650	8.5280	0.8480	9.3760	0.5970	0.0385	0.0000	0.1000	23.9045
2003	7.5280	5.8890	0.3900	6.2790	8.4820	0.7700	9.2520	0.5970	0.0385	0.0000	0.1000	23.7945
2004	7.5280	5.9690	0.2850	6.2540	8.4180	0.6820	9.1000	0.5970	0.0385	0.5000	0.1000	24.1175
2005	7.1000	5.9690	0.2850	6.2540	8.0900	0.5970	8.6870	0.5970	0.0385	0.4442	0.1000	23.2207
2006	6.8000	5.8670	0.2850	6.1520	7.9470	0.4910	8.4380	0.5970	0.0385	0.4309	0.1000	22.5564
2007	6.8000	6.8000	0.2850	7.0850	7.6910	0.4140	8.1050	0.5970	0.0385	0.4223	0.1000	23.1478

Note: All millage rates are based on \$1 for every \$1,000 of assessed value.

Sources: City of Hialeah Office of Management & Budget and Miami-Dade County Property Appraiser's Office.

(1) Overlapping rates are those of local and county governments that apply to property owners within the City of Hialeah. Not all overlapping rates apply to all City of Hialeah property owners (i.e. the rates for special districts apply only to the proportion of the government's property owners whose property is located within the geographic boundaries of the special district).

CITY OF HIALEAH, FLORIDA

PRINCIPAL PROPERTY TAXPAYERS

FISCAL YEAR 2007

<u>Taxpayer</u>	Net Assessed <u>Value</u>	<u>Rank</u>	Percent of Total City Net <u>Assessed Value</u>
Lifemark Hospitals Inc.	\$ 166,101,341	1	1.72%
Ashland Inc.	114,003,195	2	1.18%
Palm Springs Mile Associates LTD	100,130,268	3	1.04%
Westland Mills LLC	86,671,200	4	0.90%
Airras Group Inc.	64,676,073	5	0.67%
77 Acres LLC	49,466,569	6	0.51%
Gratigny Partners LTD	40,681,314	7	0.42%
Las Brisas LLC	37,254,814	8	0.39%
Bellsouth Telecommunications Inc.	36,189,962	9	0.38%
Royal Gardens Investments LLC	36,124,975	10	0.38%
	<u>\$ 731,299,710</u>		<u>7.59%</u>

Note: Information is not available for fiscal year 1998 comparison.

Source: Miami-Dade County Property Appraisers Office.

CITY OF HIALEAH, FLORIDA

PROPERTY TAX LEVIES AND COLLECTIONS

LAST TEN FISCAL YEARS

Fiscal Year Ended <u>September 30,</u>	Total Taxes Levied for <u>Fiscal Year</u>	Levied Taxes Collected within the Fiscal Year		Delinquent Tax Collections	Total Tax Collections	
		<u>Amount</u>	<u>Percent of Levy</u>		<u>Amount</u>	<u>Percent of Levy</u>
1998	\$ 36,114,254	\$ 34,601,055	95.81%	\$ 364,074	\$ 34,965,129	96.82%
1999	36,918,938	34,771,027	94.18%	397,794	35,168,821	95.26%
2000	39,057,778	36,701,876	93.97%	603,599	37,305,475	95.51%
2001	39,525,422	36,948,594	93.48%	813,314	37,761,908	95.54%
2002	41,651,160	39,166,129	94.03%	673,979	39,840,108	95.65%
2003	44,158,639	41,396,740	93.75%	448,744	41,845,484	94.76%
2004	49,178,630	46,172,254	93.89%	180,596	46,352,850	94.25%
2005	51,892,970	48,596,777	93.65%	386,261	48,983,038	94.39%
2006	58,024,149	53,351,595	91.95%	423,624	53,775,219	92.68%
2007	72,108,007	65,373,592	90.66%	348,893	65,722,485	91.14%

Source: City of Hialeah Office of Management & Budget.

CITY OF HIALEAH, FLORIDA

RATIOS OF OUTSTANDING DEBT BY TYPE

LAST TEN FISCAL YEARS

Fiscal Year Ended September 30,	Governmental Activities				Business-Type Activities					Total	Percentage of Personal Income (1)	Per Capita (1)
	Revenue Bonds	Notes Payable	Capital Leases	Mortgage Payable	Revenue Bonds	Notes Payable	Revolving Loan	Capital Leases	Water Purchase Agreement			
1998	\$ 3,870,000	\$ 4,618,878	\$ 8,195,641	\$ 149,638	\$ 4,140,000	\$ 22,545,000	-	\$ 1,037,707	\$ -	\$ 44,556,864	2.39%	\$ 213
1999	3,755,000	34,238,126	6,475,742	144,956	3,740,000	20,530,000	-	462,841	-	69,346,665	3.68%	328
2000	3,635,000	37,113,901	5,075,313	140,132	3,320,000	18,385,000	-	287,753	-	67,957,099	3.37%	300
2001	3,510,000	35,529,747	3,386,755	135,162	2,880,000	16,105,000	-	112,665	-	61,659,329	2.16%	268
2002	3,380,000	33,874,122	1,606,773	130,040	2,420,000	13,675,000	813,471	-	-	55,899,406	1.95%	242
2003	3,240,000	77,810,000	434,046	124,762	1,960,000	11,090,000	838,526	-	-	95,497,334	3.30%	409
2004	3,095,000	75,710,000	376,711	119,324	1,480,000	8,340,000	874,344	-	-	89,995,379	3.11%	385
2005	2,940,000	102,620,000	316,218	113,720	970,000	5,415,000	900,989	-	-	113,275,927	3.97%	492
2006	2,780,000	109,930,000	252,391	103,841	465,000	2,305,000	1,021,188	-	514,546	117,371,966	3.74%	509
2007	2,610,000	112,010,000	185,047	97,891	-	1,185,000	2,158,254	-	352,832	118,599,024	3.76%	512

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) See the Schedule of Demographic and Economic Statistics on page 82 for personal income and population data.

CITY OF HIALEAH, FLORIDA

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

SEPTEMBER 30, 2007

(amounts expressed in thousands)

<u>Government Unit</u>	2007		
	Net Debt <u>Outstanding</u>	Percentage Applicable to the City of <u>Hialeah (1)</u>	Amount Applicable to the City of <u>Hialeah</u>
Debt repaid with property taxes:			
Miami-Dade County	\$ 472,236,000	3.89%	\$ 18,357,409
Miami-Dade County School Board	541,525,000	3.85%	20,871,748
Other debt:			
Miami-Dade County	1,761,160,902	3.89%	68,462,277
Miami-Dade County School Board	903,527,000	3.85%	<u>34,824,224</u>
Subtotal, Overlapping Debt			142,515,658
City of Hialeah Direct Debt			<u>114,902,938</u>
Total Direct and Overlapping Debt			<u>\$ 257,418,596</u>

Sources: Data provided by the Miami Dade County Finance Department and the Miami-Dade County School Board

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Hialeah. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

(1) For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using net taxable assessed property values. Value that is within the City's boundaries and dividing it by the County's and School Board's total net taxable assessed value. This approach was also used for the other debt.

CITY OF HIALEAH, FLORIDA

PLEDGED REVENUE COVERAGE

LAST TEN FISCAL YEARS

Fiscal Year Ended <u>September 30,</u>	State of Florida Loan						Rescue Transportation 1993 Revenue Bonds			
	Utility Charges and <u>Other</u>	Less Operating <u>Expenses</u>	Net Available <u>Revenue</u>	Debt Service		<u>Coverage</u>	Rescue Transportation <u>Fees (a)</u>	Debt Service		<u>Coverage</u>
				<u>Principal</u>	<u>Interest</u>			<u>Principal</u>	<u>Interest</u>	
1998	\$ 59,516,725	\$ 47,974,234	\$ 11,542,491	\$ 2,415,000	\$ 1,464,500	2.98	\$ 1,241,861	\$ 110,000	\$ 212,700	3.85
1999	59,993,920	46,063,366	13,930,554	2,415,000	1,464,500	3.59	2,778,395	115,000	207,750	8.61
2000	60,505,487	43,825,427	16,680,060	2,565,000	1,332,145	4.28	2,300,123	120,000	202,575	7.13
2001	57,078,928	45,129,902	11,949,026	2,720,000	1,190,850	3.06	1,826,888	125,000	196,935	5.67
2002	45,576,660	33,723,172	11,853,488	2,890,000	1,039,570	3.02	1,902,477	130,000	190,935	5.93
2003	42,966,642	31,622,333	11,344,309	3,045,000	879,430	2.89	2,119,502	140,000	184,435	6.53
2004	43,711,215	34,017,403	9,693,812	3,230,000	709,250	2.46	2,059,811	145,000	177,295	6.39
2005	42,439,031	36,554,800	5,884,231	3,435,000	528,471	1.48	1,827,090	155,000	169,755	5.63
2006	42,901,913	36,984,771	5,917,142	3,615,000	337,265	1.50	1,968,192	160,000	161,540	6.12
2007	41,236,360	36,154,466	5,081,894	1,585,000	138,400	2.95	2,394,917	170,000	152,900	7.42

Source: City of Hialeah Finance Department

Note (a): Rescue transportation fees are shown net of allowance for uncollectible accounts of \$1,270,993.

CITY OF HIALEAH, FLORIDA

DEMOGRAPHIC AND ECONOMIC STATISTICS

LAST TEN FISCAL YEARS

<u>Year</u>	<u>Population (1)</u>	Total Personal Income (Amounts Expressed in Thousands) (1)	Per Capita Personal Income (1)	Median Age (2)	School Enrollment (3)	Unemployment Rate (4)
1998	209,415	\$ 1,866,725	\$ 8,914	36	31,564	7.3%
1999	211,201	1,882,646	8,914	36	32,067	6.1%
2000	226,419	2,018,299	8,914	39	32,512	6.2%
2001	230,059	2,853,192	12,402	39	32,486	7.3%
2002	231,270	2,868,211	12,402	39	32,082	7.9%
2003	233,388	2,894,478	12,402	39	30,910	7.2%
2004	233,566	2,896,686	12,402	39	30,254	6.8%
2005	230,225	2,855,250	12,402	39	29,370	5.9%
2006	230,407	3,140,678	13,631	39	29,885	4.6%
2007	231,500	3,155,577	13,631	39	30,105	4.7%

Sources:

- (1) University of Florida, Bureau of Economic Research and American Factfinder, city of Hialeah, FL.
- (2) United States Census Bureau
- (3) Miami-Dade County School Board Budget Office
- (4) U.S. Department of Labor

Note: Population, median age and education level information are based on surveys conducted during the last quarter of the calendar year. Personal income information is a total for the year. Unemployment rate information is an adjusted yearly average. School enrollment is based on the census at the start of the school year.

CITY OF HIALEAH, FLORIDA

PRINCIPAL EMPLOYERS

CURRENT YEAR AND NINE YEARS AGO

<u>Employer</u>	<u>2007</u>			<u>1998</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
City of Hialeah	1,800	1	1.96%	1,410	2	1.58%
Palmetto General Hospital	1,635	2	1.78%	1,122	5	1.25%
United Parcel Service	1,119	3	1.22%	1,120	3	1.25%
Winn Dixie Super Markets	1,054	4	1.15%	-	-	-
Hialeah Hospital	1,032	5	1.12%	1,109	4	1.24%
Publix Super Markets	816	6	0.89%	-	-	-
Palm Springs Hospital	611	8	0.66%	618	7	0.69%
Sedano's Super Markets	591	9	0.64%	-	-	-
McDonald's Restaurants	424	7	0.46%	-	-	-
Yellow Stone Group	411	10	0.45%	-	-	-
Coulter Electronic	-	-	-	2,162	1	2.42%
Gator Industries	-	-	-	620	6	0.69%
Interamerican Transport Equipment Co.	-	-	-	420	8	0.47%
Piba Industries Inc.	-	-	-	388	9	0.43%
Consolidated Bank	-	-	-	360	10	0.40%
Total	<u>9,493</u>		<u>10.33%</u>	<u>9,329</u>		<u>10.42%</u>

Source: Hialeah Dade Development, Inc.

CITY OF HIALEAH, FLORIDA

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION

LAST TEN FISCAL YEARS

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Number of employees:										
Mayor's office	6	6	8	8	9	8	9	9	9	10
Communications & special events	-	-	-	-	-	-	-	-	8	11
Information systems	7	8	8	8	10	10	10	10	13	19
Community development:										
Planning and zoning	30	28	27	30	31	36	38	41	15	13
Building	-	-	-	-	-	-	-	-	26	31
License	8	8	9	9	9	8	8	9	9	8
Code compliance	10	12	13	11	11	10	10	12	12	12
Office of Management & Budget	10	12	12	10	11	10	12	11	10	13
City Clerk's office	10	10	9	10	10	11	10	10	8	8
Law	10	12	10	13	14	13	15	14	14	14
Risk management	10	10	10	11	11	10	10	10	8	15
Police:										
Police officers	371	354	358	346	347	360	388	371	372	372
Civilians	137	143	139	134	146	151	152	157	131	151
Fire:										
Firefighters	228	234	225	228	242	248	284	281	262	288
Civilians	52	53	54	52	57	51	51	51	51	59
Education & community services	-	-	-	-	-	-	-	-	15	28
Library	29	25	29	35	36	33	32	32	28	31
Recreation and community services	115	120	124	122	126	123	116	109	94	93
Streets	40	40	40	35	35	36	36	34	33	30
Stormwater	24	25	28	28	26	24	23	21	18	17
Fleet	37	37	43	48	56	53	52	50	46	47
Circulator	-	-	-	-	2	2	2	2	7	7
Construction and maintenance	54	52	53	53	53	52	51	52	52	54
Solid waste	133	134	138	133	135	146	142	135	122	126
Human resources	11	10	11	12	11	10	11	11	12	10
Finance	17	16	15	16	16	14	16	16	15	17
Retirement	4	4	5	5	5	4	5	3	4	5
Grants and human services	27	29	35	48	42	42	44	43	50	43
Water and sewer	86	79	71	61	64	66	61	57	57	57
Water division	39	41	45	51	48	47	45	44	40	39
Sewer division	33	35	41	40	38	37	36	32	31	30
Total number of employees	<u>1,538</u>	<u>1,537</u>	<u>1,560</u>	<u>1,557</u>	<u>1,601</u>	<u>1,615</u>	<u>1,669</u>	<u>1,627</u>	<u>1,572</u>	<u>1,658</u>

Source: City of Hialeah Human Resources Department

Note: Circulator division was established in fiscal-year 2002; as well as Communication & Special Events and Education & Community Services, which were established in fiscal-year 2006. Furthermore, the Planning and Development department was divided into the Planning and Zoning and Building divisions of the newly created Community and Development department along with the Code Compliance and License departments, which are now a division of Community and Development.

CITY OF HIALEAH, FLORIDA

OPERATING INDICATORS BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

<u>Function/Program</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Public safety										
Police:										
Police calls for service	362,328	356,582	316,997	296,593	269,469	277,913	263,558	260,108	224,546	222,425
Parking violations	5,600	7,662	6,392	12,078	18,008	11,683	8,518	19,533	11,514	12,325
Traffic violations	37,701	60,970	75,004	86,001	76,216	77,617	68,853	69,701	74,446	75,251
Fire:										
Number of calls answered	27,778	28,693	28,951	29,310	29,150	29,670	30,931	32,332	31,338	33,658
Inspections	5,350	4,565	3,705	3,974	5,873	4,856	4,403	10,396	13,035	17,947
Planning and development:										
Business permits issued	8,089	6,776	6,546	6,699	7,829	9,521	10,102	10,228	10,530	12,487
Occupational licenses issued	13,970	13,436	14,693	14,942	15,885	15,901	16,536	17,211	17,648	18,101
Streets:										
Street resurfacing (miles)	3.5	7.3	10.6	9.8	12.0	12.9	22.2	14.8	8.2	6.9
Potholes repaired	769	1,054	830	643	742	631	499	516	580	462
Culture and recreation:										
Library cards issued	9,186	10,952	9,181	9,861	12,354	10,592	13,956	15,959	16,756	16,288
Registrations for library programs	2,974	5,174	8,683	11,297	14,697	13,255	11,795	112,433	118,054	119,645
Community center admissions	283,281	277,627	301,434	278,550	251,799	236,455	216,511	175,605	184,385	192,874
Athletic field permits issued	22	26	26	28	29	39	34	47	60	72
Water and sewer:										
Active accounts - water and sewer	31,206	34,006	37,069	40,726	45,273	51,898	54,740	56,072	58,253	59,321
Average daily water consumption (thousands of gallons)	24,600	22,500	24,700	23,200	24,300	21,700	22,300	23,800	23,606	21,325
Average daily sewage treatment (thousands of gallons)	36,800	31,300	30,000	29,600	28,200	25,700	28,900	30,100	24,026	25,178
New connections	2,533	2,905	3,184	3,854	4,721	6,923	3,921	3,629	6,910	4,698
Water main breaks	99	117	125	164	120	123	164	163	251	225
Solid waste:										
Residential accounts	34,821	35,051	35,863	36,214	36,193	36,346	36,002	35,492	35,567	35,621
Commercial accounts	379	372	412	426	433	446	473	415	422	443
Refuse collected (tons/day)	255.9	234.2	267.2	237.1	238.8	241.4	246.7	267.4	251.4	231.9
Recyclables collected (tons/day)	10.1	10.4	9.6	9.5	10.0	10.6	9.5	9.6	7.2	7.3

Sources: Various City departments

Note: Indicators are not available for the general government function.

CITY OF HIALEAH, FLORIDA

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

<u>Function/Program</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
General government:										
General government buildings	1	1	1	1	1	1	1	1	1	1
Public safety:										
Police:										
Police stations	2	2	2	3	4	4	4	4	4	5
Patrol units	185	180	180	189	194	180	177	177	191	282
Fire:										
Fire stations	7	7	7	7	7	7	7	7	7	8
Fire apparatus vehicles	12	12	12	12	12	12	12	12	12	12
Emergency rescue vehicles	6	6	6	6	6	6	6	7	8	9
Streets:										
Miles of streets	486.1	488.1	490.4	492.9	493.1	493.1	493.1	493.1	493.1	493.1
Culture and recreation:										
Parks	25	25	26	26	26	27	27	27	27	27
Parks acreage	208.5	208.5	218.5	218.5	218.5	223.5	223.5	223.5	255.0	255.0
Community center	3	3	3	3	3	3	3	3	3	3
Swimming pools	6	6	7	7	7	7	7	7	7	7
Tennis courts	36	36	36	33	33	32	27	25	23	23
Water & sewer:										
Water & sewer buildings	1	1	1	1	1	1	1	1	1	1
Water mains (miles)	477	478	481	482	484	486	486	487	487	490
Fire hydrants	2,651	2,670	2,687	2,699	2,708	2,718	2,741	2,750	2,750	2,766
Storm sewers (miles)	42.4	45.8	50.7	55.3	61.0	67.0	77.4	84.3	84.3	88.2
Solid waste:										
Collection trucks	43	36	36	37	45	45	36	36	42	42

Sources: Various City departments

COMPLIANCE SECTION



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CORAL GABLES, FL 33146
TEL: 305-662-7272
FAX: 305-662-4266
ACC-CPA.COM

Report of Independent Certified Public Accountants on Internal Control over Financial Reporting and on Compliance and Other Matters and Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Honorable Mayor and Members of the City Council
City of Hialeah, Florida

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hialeah, Florida (the City) as of and for the fiscal year ended September 30, 2007, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 27, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting, listed as items 2007-1, 2007-2, 2007-3, 2007-4, and 2007-5.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Honorable Mayor and Members of the City Council
City of Hialeah, Florida
Page Two

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies noted above, the following are considered to be material weaknesses: 2007-1, 2007-2, 2007-3, and 2007-4.

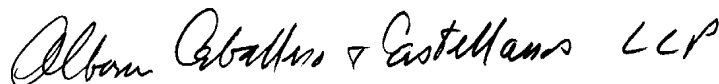
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standard*.

We also noted other matters that we have reported in the schedule of findings and responses as required by the Auditor General of the State of Florida.

The City's responses to the findings and recommendations identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the City's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Mayor, City Council, management and regulatory agencies and is not intended to be and should not be used by anyone other than these specified parties.

 Albert Ceballos y Castellanos LCP

Coral Gables, Florida
March 27, 2008



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Management Letter in Accordance with the Rules of the Auditor General of the State of Florida

Honorable Mayor and Members of the City Council
City of Hialeah, Florida

We have audited the basic financial statements of the governmental activities, the business-type activities and each major fund, and the aggregate remaining fund information of the City of Hialeah, Florida (the City) as of and for the year ended September 30, 2007, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 27, 2008.

We conducted our audit in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, Rules of the Auditor General. We have issued our Report of Independent Certified Public Accountants on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements, Report of Independent Certified Public Accountants on Compliance and Internal Control over Compliance Applicable to each Major Federal Awards Program and State Financial Assistance Project, and the Schedule of Findings and Responses. Disclosures in those reports and schedule, which are dated March 27, 2008, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida and, unless otherwise required to be reported in the report on compliance and internal controls, this letter is required to include the following information.

- ❖ Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial report. There were no findings or recommendations made in the preceding annual financial report.
- ❖ Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415., Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the City of Hialeah, Florida complied with Section 218.415, Florida Statutes.
- ❖ Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management, accounting procedures, and internal controls. In connection with our audit, we have one recommendation which has been included in the Schedule of Findings and Responses.
- ❖ Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts and grant agreements or abuse that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

- ❖ Section 10.554(1)(i)5., Rules of the Auditor General, requires, based on professional judgment, the reporting of matters that are inconsequential to the financial statements, considering both quantitative and qualitative factors: (1) violations of laws, rules, regulations, and contractual provisions that have occurred, or were likely to have occurred, and would have an immaterial effect on the financial statements; (2) improper expenditures or illegal acts that would have an immaterial effect on the financial statements; and (3) control deficiencies that are not significant deficiencies, including but not limited to; (a) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the financial statements); (b) failures to properly record financial transactions; and (c) other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. In connection with our audit, we have reported findings and recommendations in the Schedule of Findings and Responses.
- ❖ Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in the management letter, unless disclosed in the notes to the financial statements. The City of Hialeah was incorporated by Laws of Florida 90-142. There were no component units related to the City.
- ❖ Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local government entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the City of Hialeah, Florida reported one fund (the Solid Waste Fund) which met the conditions described in Section 218.503(1)(6), Florida Statutes and is reported in the Schedule of Findings and Responses.
- ❖ Section 10.554(1)(i)7.b., Rules of the Auditor General, we determined that the annual financial report for the City of Hialeah, Florida for the fiscal year ended September 30, 2007, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2007. In connection with our audit, we determined that these two reports were in agreement.
- ❖ Sections 10.554(i)7 and 10.556(7), Rules of the Auditor General, require that we apply financial assessment procedures. In connection with our audit, we applied financial condition assessment procedures. It is management's responsibility to monitor the entity's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Honorable Mayor and Members of the City Council
City of Hialeah, Florida
Page Three

This report is intended solely for the information and use of the Mayor, City Council, management and the Auditor General of the State of Florida and is not intended to be and should not be used by anyone other than these specified parties.

Alfonso Castellanos & Castellanos LLP

Coral Gables, Florida
March 27, 2008



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Report of Independent Certified Public Accountants on Compliance and Internal Control over Compliance Applicable to Each Major Federal Awards Program and State Financial Assistance Project

Honorable Mayor and Members of the City Council
City of Hialeah, Florida

Compliance

We have audited the compliance of the City of Hialeah, Florida (the City) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement*, and the requirements described in the Executive Office of the Governor's State Projects Compliance Supplement, that are applicable to each of its major federal awards programs and state financial assistance projects for the year ended September 30, 2007. The City's major federal awards programs and state financial assistance projects are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Responses. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal awards programs and state financial assistance projects is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, *Rules of the Auditor General*. Those standards, OMB Circular A-133 and Chapter 10.550, Rules of the Auditor General require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have direct and material effect on a major federal awards program or state financial assistance project occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material aspects, with the requirements referred to above that are applicable to its major federal awards programs and state financial assistance projects for the year ended September 30, 2007.

Internal Control over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal awards programs and state financial assistance projects. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal awards program and or state financial assistance projects in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General*.

Honorable Mayor and Members of the City Council
City of Hialeah, Florida
Page Two

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal awards program or state financial assistance project being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Mayor, City Council, management and grantor agencies and is not intended to be and should not be used by anyone other than these specified parties.

Alfonso Robles & Castellanos LLP

Coral Gables, Florida
March 27, 2008

CITY OF HIALEAH, FLORIDA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE PROJECTS

FISCAL YEAR ENDED SEPTEMBER 30, 2007

<u>Federal Agency/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Grant Number</u>	<u>Expenditures</u>
U.S. Department of Housing and Urban Development			
Community Development Block Grant	14.218	B-05MC-12-0008	\$ 3,794,401
Community Development Block Grant	14.218	B-06MC-12-0009	874,667
			<u>4,669,068</u>
HOME Investment Partnership	14.239	M-02-MC-12-0207	280,773
HOME Investment Partnership	14.239	M-03-MC-12-0207	467,684
HOME Investment Partnership	14.239	M-04-MC-12-0207	57,482
HOME Investment Partnership	14.239	M-05-MC-12-0207	562,844
HOME Investment Partnership	14.239	M-06-MC-12-0207	1,127,026
			<u>2,495,809</u>
Emergency Shelter Grant	14.231	S-04-MC-12-0005	153,655
Emergency Shelter Grant	14.231	S-05-MC-12-0005	122,360
			<u>276,015</u>
Total U.S. Department of Housing and Urban Development			<u>7,440,892</u>
Federal Library Services and Technology			
Literacy Program Yr 06	45.310	05 LSTA-05-E-03	40,000
Total Federal Library Services and Technology			<u>40,000</u>
U.S. Department of Labor			
WIA - Youth Services Out of School	17.259	WIA-YS-OSY-PY06-02-00	139,555
WIA - Youth Services Out of School	17.259	WDS-YS-OSY-PY-07-02-00	53,916
WIA - Youth Services Out of School	17.259	WDS-YS-ISK-PY-07-01-00	82,263
WIA- Youth Stay In School	17.259	WS-YS-ISK-PY06-01-00	86,954
One-Stop Career Center Hialeah Downtown	17.260	WDS-OS-PY07-03-00	421,448
One-Stop Career Center Hialeah Downtown	17.260	WS-CC-PY06-03-00	929,872
Total U.S. Department of Labor			<u>1,714,008</u>
U.S. Department of Health and Human Services			
Refugee Employment and Training	93.584	RET-DP-PY06-05-03	400,055
Total U.S. Department of Health and Human Services			<u>400,055</u>
U.S. Department of Homeland Security			
Assistance to Firefighters Grant	97.044	EMW-226-FF-04047	316,897
Buffer Zone Protection Program	97.078	2007-BZPP-DADE-3-N5-031	148,877
Homeland Security Grant Program	97.067	07-DS-5S-11-23-02-379	1,180,825
Homeland Security Preparedness Technical Assistance Program	97.007	05-CL-2P-11-23-02	2,729
Total U.S. Department of Homeland Security			<u>1,649,328</u>
Subtotal Direct Programs			<u>11,244,283</u>
Pass- Through Program from:			
State of Florida Department of Community Affairs			
Disaster Relief Funding Agreement - Wilma	97.036	06-WL-&K-11-23-02-612	340,431
Total U.S. Department of Homeland Security - Through the State of Florida Department of Community Affairs			<u>340,431</u>
Pass-Through Program from:			
The Florida Department of Environmental Protection			
Outdoor Recreation Acquisition, Development, Planning	15.916	LWCF-12-00474	200,000
Total U.S. Department of Interior - Through the Florida Department of Environmental Protection			<u>200,000</u>
Pass-Through Program from:			
The Florida Department of Environmental Protection			
Clean Water State Revolving Loan	66.458	CS12089501P	1,094,894
Total U.S. Department of Environmental Protection - Through the Florida Department of Environmental Protection			<u>1,094,894</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 12,879,608</u>

(Continued)

CITY OF HIALEAH, FLORIDA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE PROJECTS (Continued)

FISCAL YEAR ENDED SEPTEMBER 30, 2007

<u>State Agency/Pass-Through Grantor/Program Title</u>	<u>State Grant Number</u>	<u>State CSFA Number</u>	<u>Expenditures</u>
Florida Housing Finance Agency			
State Housing Initiative Partnership Program	S-01-MC-12-0005	52.901	\$ 491,975
State Housing Initiative Partnership Program	S-01-MC-12-0006	52.901	245,695
State Housing Initiative Partnership Program	S-01-MC-12-0007	52.901	588,140
State Housing Initiative Partnership Program	S-01-MC-12-0008	52.901	63,180
Total Florida Housing Finance Agency			<u>1,388,990</u>
Florida Department of State - Division of Libraries and Information Services			
Central E. Library	05-PLC-29	45.020	234,730
Central E. Library	05-PLC-30	45.020	288,560
State Aid to Libraries	N/A	45.030	<u>42,086</u>
Total Florida Department of State - Division of Libraries and Information Services			<u>565,376</u>
Florida Pass Through Miami-Dade School Board			
FCAT Preparation	N/A	N/A	<u>18,637</u>
Total Florida Pass Through Miami-Dade School Board			<u>18,637</u>
Florida Department of Environmental Protection			
Florida Recreation Development Assistance Program	F5037	37.017	24,032
Florida Recreation Development Assistance Program	F5018	37.017	200,000
Florida Recreation Development Assistance Program	A-8020	37.017	200,000
Statewide Surface Water Restoration and Wastewater Project	LP06038	37.039	1,000,000
Statewide Surface Water Restoration and Wastewater Project	LP6727	37.039	<u>1,000,000</u>
Total Florida Department of Environmental Protection			<u>2,424,032</u>
TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE			<u>\$ 4,397,035</u>

N/A - Not Applicable

CITY OF HIALEAH, FLORIDA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE PROJECTS

FISCAL YEAR ENDED SEPTEMBER 30, 2007

NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards and State financial assistance includes the federal and state grant activity of the City of Hialeah and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and Chapter 10.550, Rules of the Auditor General. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2. SUBRECIPIENTS

The City of Hialeah provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Provided</u>
Community Development Block Grant	14.218	<u>\$ 907,401</u>

CITY OF HIALEAH, FLORIDA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FISCAL YEAR ENDED SEPTEMBER 30, 2007

PRIOR YEAR COMMENTS AND STATUS

Financial Statement Findings

There were no financial statement findings reported in the fiscal year ended September 30, 2006 audit.

Federal Awards and State Financial Assistance Findings and Questioned Costs

There were no federal award or state financial assistance projects findings and questioned costs reported in the fiscal year ended September 30, 2006 schedule of findings and questioned costs.

CITY OF HIALEAH, FLORIDA

SCHEDULE OF FINDINGS AND RESPONSES FEDERAL AWARDS PROGRAMS AND STATE FINANCIAL ASSISTANCE PROJECTS

FISCAL YEAR ENDED SEPTEMBER 30, 2007

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:

Unqualified Opinion

Internal control over financial reporting:

Material weakness(es) identified?

X yes no

Significant deficiencies identified not considered to be material weakness?

X yes None reported

Non-compliance material to financial statements noted?

 yes X no

Federal Awards Program and State Financial Assistance Projects

Internal control over major federal awards programs and state financial assistance projects:

Material weakness(es) identified?

 yes X no

Significant deficiencies identified not considered to be material weakness?

 Yes X None reported

Type of auditor's report issued on compliance for major federal awards programs and state financial assistance projects:

Unqualified Opinion

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a) or Chapter 10.550, Rules of the Auditor General?

 yes X no

Identification of major federal awards programs assistance projects and state financial assistance projects:

Federal Awards Program

Federal CFDA No.

CDBG

14.218

Refugee Employment and Training

93.584

Urban Area Security Initiative

97.067

Clean Water State Revolving Loan

66.458

State Assistance Projects

CFSA Numbers

Central E. Library Grants

45.020

Florida Rec. Development Assistance Programs

37.017

Statewide Surface Water Restoration and Wastewater Projects

37.039

Dollar threshold used to distinguish between Type A and Type B programs:

Federal	\$386,388
State	\$300,000

Auditee qualified as low risk auditee for audit of federal awards programs?

X yes no

CITY OF HIALEAH, FLORIDA

SCHEDULE OF FINDINGS AND RESPONSES (Continued)

SECTION II – FINANCIAL STATEMENT FINDINGS AND RESPONSES

MATERIAL WEAKNESSES

2007-1 Lack of Segregation of Cash Duties

Condition:

During the course of our audit the City uncovered fraudulent activities perpetrated by an employee of the retirement office. The loss due to the fraudulent activities totaled approximately \$345,000 and the theft was carried out over a course of several years. However, the City has filed claim with its fidelity bond and also criminal charges to recover the loss.

The City's internal audit department conducted an investigation of the retirement office and reported several weaknesses in internal controls and recommendations to improve on those controls. One of the findings noted and which we agree with is that there was a lack of segregation of cash duties. The same individual was in charge of deposits, processing and recording disbursements and reconciling the bank statements.

Effect:

The City's retirement plan has the potential of losing approximately \$345,000 due to the employee theft.

Recommendation:

Internal controls are designed to safeguard assets and help or detect losses from employee dishonesty or error. A fundamental concept in a good system of internal control is the segregation of duties. We believe that the following practices could be implemented to improve existing internal control without impairing efficiency:

- ❖ Mail should be opened by an employee not responsible for accounting, such as the receptionist. Cash receipts could be recorded and the deposit prepared by this person. The cash receipts journal, supplemented by remittance advices, could be forwarded to the accounting staff for postings to the general ledger and detail customer accounts.
- ❖ Bank statements, canceled checks, and appropriate advices should be received by someone other than employees maintaining cash records. Such items could be periodically reviewed prior to turning them over for reconciliation. Unusual items noted during the review should be investigated promptly.
- ❖ Signed checks should be also mailed without allowing them to be returned to the employee responsible for accounts payable.
- ❖ Include and review supporting documents for all disbursements. Nonroutine testing would aid in ensuring compliance with City policy for all disbursements.
- ❖ Journal entries should be approved by an employee other than the one who prepared the entry.
- ❖ Bank reconciliations should be prepared timely and include a preparer and reviewer signature (We recommend that the bank reconciliations be reviewed and approved by the Finance Department).

CITY OF HIALEAH, FLORIDA

SCHEDULE OF FINDINGS AND RESPONSES (Continued)

SECTION II – FINANCIAL STATEMENT FINDINGS AND RESPONSES (Continued)

MATERIAL WEAKNESSES (Continued)

2007-1 Lack of Segregation of Cash Duties (Continued)

View of Responsible Officials and Planned Corrective Actions:

Immediately upon discovery of the fraudulent activities, the following internal control practices were implemented:

- Mail is opened by a Clerk Typist, Cash receipts are recorded and the deposits are prepared by one Accountant, and the cash receipts journal is prepared and posted by another Accountant.
- The Clerk Typist receives the bank statements, cancelled checks, and appropriate advices, they are then given to an Accountant who reconciles them and then forwards them to another Accountant for review.
- If a check is returned an Accountant investigates why it was returned and contacts the retiree or financial institution. Retirement Loan checks must be picked up personally by the employee.
- The Director reviews and signs all supporting documents for disbursements.
- The recommendation on Journal entries being approved by an employee other than the one who prepared the entry have been implemented in 2008.
- Bank reconciliations are being prepared by one Accountant and reviewed by another Accountant, who checks the balance of the reconciliations against the general ledger balance.

2007-2 MANUAL CHECKS

Condition:

During 2007, the City's retirement office used a system involving the manual preparation of paper checks to employees and make disbursements.

Effect:

The employee who committed the fraudulent activities was able to manipulate the manual checks.

Recommendation:

We recommend that the City consider adopt an automated, electronic payment system. An electronic payment system can be particularly appropriate for payroll; vendor, utility, and tax payments; and other recurring payments. Advantages of such a system include the elimination of manual handling, processing, and storage of paper checks, reduced postage costs, and the elimination or reduction of the risk of check fraud or lost or stolen checks.

View of Responsible Officials and Planned Corrective Actions:

A system of computerized checks was implemented on November 8, 2007.

CITY OF HIALEAH, FLORIDA

SCHEDULE OF FINDINGS AND RESPONSES (Continued)

SECTION II – FINANCIAL STATEMENT FINDINGS AND RESPONSES (Continued)

MATERIAL WEAKNESSES (Continued)

2007-3 RECONCILE ACCOUNTS TO SUPPORTING DOCUMENTS

Condition:

During our audit we noted that reports such as the Participant Loan Receivable ledger which is generated by the accounting system does not agree to the general ledger. Although the amount is not material, these differences should be investigated and reconciled to the general ledger.

The City's retirement office is also tracking the participant loan receivable ledger manually and then reconciling the manual ledger to the system generated ledger. Small differences between the manual ledger and system generated ledger appear monthly which are reconciled by the retirement office's accountant. However, this does not appear to be an efficient use of the accountant's time since the system already generates the reports. According to management, the differences appear to be caused by glitches in the accounting system.

Effect:

The differences between the general ledger and subsidiary ledgers must be identified and reconciled on a monthly basis. By adjusting for these differences and not properly reconciling the reports there is opportunity for misappropriation of assets by hiding improper payments to these accounts.

Recommendation:

In order to make the financial reports generated by the accounting system as meaningful as possible, the City should reconcile the general ledger accounts to supporting documentation on a monthly basis. A benefit of monthly reconciliations is that errors do not accumulate but can be identified and attributed to a particular period, which makes it easier to perform future reconciliations.

We also recommend that the City address the glitches in the software that may be causing these differences in the subsidiary ledgers with the City's I.T. Department.

View of Responsible Officials and Planned Corrective Actions:

Immediately following the recommendations made by the auditors earlier in the year, the following steps have been taken:

- General ledger accounts are being reconciled on a monthly basis by an Accountant. Errors are being identified and corrected on a timely basis.
- The glitches in the system have been identified and are being worked on by the Information Technology Department.
- Information Technology is working on expanding Retirement System capabilities for better tracking of balances.
- These changes will assist in addressing the differences in the subsidiary ledgers.

CITY OF HIALEAH, FLORIDA

SCHEDULE OF FINDINGS AND RESPONSES (Continued)

SECTION II – FINANCIAL STATEMENT FINDINGS AND RESPONSES (Continued)

MATERIAL WEAKNESSES (Continued)

2007-4 INCORRECT CENSUS DATA PROVIDED TO ACTUARY

Condition:

During our audit we noted that the actuary report dated October 1, 2006 reported that the retirement office provided inaccurate census data regarding the total member contributions. The report provided to the actuary understated the contributions by approximately \$9.7 million.

Effect:

The actuary reported that inaccurate information contributed to an increase in the City's required contribution of \$1.2 million for the 2007-2008 fiscal year.

Recommendation:

Controls need to be established that ensure accurate census data is provided to the City's actuary as this could affect the actuary's calculations and as in this case could increase the City's required contribution substantially.

View of Responsible Officials and Planned Corrective Actions:

Currently, an Accountant is checking and verifying that accurate census data is being provided to the Plan's actuary.

CITY OF HIALEAH, FLORIDA

SCHEDULE OF FINDINGS AND RESPONSES (Continued)

SECTION II – FINANCIAL STATEMENT FINDINGS AND RESPONSES (Continued)

SIGNIFICANT DEFICIENCIES

2007-5 Accounting Policies and Procedures Manual

Condition:

We noted during our inquiries of management and our audit testing that the City does not maintain a written Accounting Policies and Procedures Manual.

Effect:

Not having a formal written Accounting Policies and Procedures Manual can create inconsistencies in the process, which can cause difficulties ensuring that all proper procedures were followed in order to complete a transaction.

Recommendation:

We recommend that the City formalize a written Accounting Policies and Procedures Manual. A formal written manual will ensure that assets are safeguarded and that finances are managed with responsible stewardship. In the absence of formal procedures mistakes, whether intentional or not can occur. Written procedures, instructions, and assignments of duties will prevent or reduce misunderstandings, errors, duplicated or omitted procedures, and other situations that can result in inaccurate or untimely accounting records. A well-devised accounting manual can also help to ensure that all similar transactions are treated consistently, that accounting principles used are proper, and that records are produced in the form desired by management. A good accounting manual should aid in the training of new employees, and cross-training of existing employees and possibly allow for delegation to other employees of some accounting functions management performs.

The benefit of such a manual is that it would assist the employees in discharging their responsibilities consistently and in accordance with City guidelines. This becomes more important as new personnel are hired by the City to replace terminating or retiring personnel and also provides guidance for personnel when they have to assume other functions resulting from personnel vacations or other personal leave instances.

View of Responsible Officials and Planned Corrective Actions:

Although the City does not have a written policy, formal accounting policies and procedures are followed and enforced. The City has developed a Cash Policy and will develop a written Accounting and Procedures Manual during the next fiscal year.

CITY OF HIALEAH, FLORIDA

SCHEDULE OF FINDINGS AND RESPONSES (Continued)

SECTION II – FINANCIAL STATEMENT FINDINGS AND RESPONSES (Continued)

OTHER MATTERS

2007-6 Capital Assets

Condition:

During our testing of capital assets we noted that although the departments perform annual physical inventory counts of capital assets the reports are not reconciled to the City's capital asset inventory listings.

Recommendation:

We recommend that the City perform a physical count of its capital assets and reconcile the reports to its capital asset inventory listing.

We also recommend that the City analyze the estimated useful lives of its governmental capital assets. The following is a Government Finance Officers Association recommended practice:

GFOA Recommended Practice For Establishing Estimated Useful Lives:

The best source of relevant information on the estimated useful lives of a government's capital assets normally is its own past experience with similar assets. In situations where the documentation of a government's own past experience for a given type of capital asset is not adequate for this purpose, a government should profit as much as possible from the experience of other governments and private-sector enterprises. At the same time, a government should make whatever adjustments are needed to estimated useful lives that were obtained from others to ensure that such estimates are appropriate to its own particular circumstances. It is especially important that a government consider the potential effect of each of the following factors when depending on the experience of others:

- **Quality.** Similar assets may differ substantially in quality, and hence in their useful lives, because of differences in materials, design and workmanship. For example, an asphalt road will not have the same useful life as a concrete road. Likewise, the depth of the material used for paving purposes, as well as the quality of the underlying base, will also affect the useful life of a road;
- **Application.** The useful life of a given type of capital asset may vary significantly depending upon its intended use. For example, a residential street may be expected to have a longer useful life than a major arterial thoroughfare because of differences in the type and volume of traffic; and
- **Environment.** Environmental differences among governments can have an important impact on the useful lives of their respective capital assets. For instance, the useful life of a road in a climate subject to extremes in temperature is likely to be different from that of a similar road located in a more temperate climate. Also, regulatory obsolescence may shorten the service life of some capital assets used in connection with highly regulated activities (e.g., utilities).

The potential effect of each of the factors just described may be mitigated or exacerbated as a consequence of a government's maintenance and replacement policy. For example, the potential for road damage is increased in a cold environment when cracks are not promptly repaired, because water settling in the cracks will expand and contract, thereby accelerating the initial deterioration represented by the crack itself.

Once established, estimated useful lives for major categories of capital assets should be periodically compared with a government's actual experience and appropriate adjustments should be made to reflect this experience.

Depreciation is a financial reporting concept. Therefore, all of the considerations discussed above are only of concern to the extent that they could have a material impact on a government's financial statements.

CITY OF HIALEAH, FLORIDA

SCHEDULE OF FINDINGS AND RESPONSES (Continued)

SECTION II – FINANCIAL STATEMENT FINDINGS AND RESPONSES (Continued)

OTHER MATTERS (Continued)

2007-6 Capital Assets (Continued)

View of Responsible Officials and Planned Corrective Actions:

The City will perform a physical inventory in fiscal year 2008 and reconcile to the fixed asset inventory report. The City will also analyze and adjust as necessary, the useful lives of the fixed assets.

2007-7 Solid Waste Fund deficit

Condition:

During our testing of the Solid Waste enterprise fund we noted that the fund had an operating loss of approximately \$1,862,390 during 2007. In the prior year the fund also incurred an operating loss of \$2,295,967. The fees charged to the City by Miami-Dade County for waste disposal have increased; however, there have been no significant adjustments to rates charged to the residents for these services.

Recommendation:

We recommend that the City review its current charges for sanitation services to ensure the fees cover the costs of operations.

View of Responsible Officials and Planned Corrective Actions:

The City has been aware of the deficit in the Solid Waste Fund, and has established a committee to evaluate its business practices and identify ways to reduce operating costs. Also, public meetings have been held and options and recommendations have been submitted to the City Council members for their review.

CITY OF HIALEAH, FLORIDA

SCHEDULE OF FINDINGS AND RESPONSES (Continued)

SECTION II – FINANCIAL STATEMENT FINDINGS AND RESPONSES (Continued)

OTHER MATTERS (Continued)

2007-8 Fraud Risk Assessment

Condition:

For all organizations, one of the primary fraud risks is the ever-present risk of misappropriation of assets, particularly fraudulent cash disbursements. The opportunity to commit and conceal fraud exists where there are assets susceptible to misappropriation and inadequate controls to prevent or detect the fraud. During our audit we noted that the City has not performed a fraud risk assessment.

This condition will result in the City not being able to effectively mitigate its risk of fraud from the misappropriation of assets.

Recommendation:

We recommend that the City perform a risk assessment to identify, analyze, and manage the risk of asset misappropriation. Risk assessment, including fraud risk assessment, is one element of internal control. Thus, ideally, the City's internal control should include performance of this assessment, even though the annual financial statement audits include a consideration of fraud.

The fraud risk assessment can be informal and performed by a management-level individual who has extensive knowledge of the City that might be useful in the assessment. Ordinarily, the management-level individual would conduct interviews or lead group discussions with personnel who have extensive knowledge of the City, its environment, and its processes. The assessment should consider the City's vulnerability to misappropriation of assets. When conducting the self-assessment, questions such as the following should be considered:

- What individuals in the City have the opportunity to misappropriate assets?
- Are there any known pressures that would motivate employees with the opportunity to misappropriate assets?
- What assets are susceptible to misappropriation?
- Are there any known internal control weaknesses that would allow misappropriation of assets to occur and remain undetected?
- How could assets be stolen?
- How could potential misappropriation of assets be concealed?
- What factors might indicate that the culture or environment would enable management or employees to rationalize committing fraud?

View of Responsible Officials and Planned Corrective Actions:

Through the City's Internal Audit Department, a Cash Policy has been developed as a first step in performing a fraud risk assessment. In fiscal year 2008, the audit department will continue to perform risk assessments to identify, analyze and manage the risk of asset misappropriation.

CITY OF HIALEAH, FLORIDA

SCHEDULE OF FINDINGS AND RESPONSES (Continued)

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.

SECTION IV – STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS

None.